

JPRS-EER-91-121  
13 AUGUST 1991



# ***JPRS Report***

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# East Europe

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### Condition of Prisons, Prospects for Reform

91P20438A Tirana BASHKIMI in Albanian 21 Jul 91  
pp 1-2

[Interview with Edmond Caja, director of the Directorate of Prison Administration, by Vladimir Zoto; place and date not given: "The Jails: The Hell and Shame of the Dictatorship"—first three paragraphs are BASHKIMI introduction]

[Text] The 45-year dictatorship turned Albania into a jail for the people, into an isolated country encircled with barbed wire. The people's picture of the jails, based on the statements of those who passed through them, shows them as hellish places which arouse the horror of physical and spiritual suffering, as the most shameful monuments of the dictatorship.

There are many explanations why our jails were turned into horrible places. And, even now, their situation is unfortunate. The prisons need the opinion of intellectuals. It is essential that the jails be under the jurisdiction of the Ministry of Justice. The voice of the political prisoners is the voice of the people who have suffered the most in Albania. The dead are also found in the jails. Prison is devastating for the young.

Edmond Caja is director of the Directorate of Prison Administration in the Ministry of Public Order. He is young—32 years old; and he is also new to his job, although he has been concerned with the prisons for several years and he knows them. He studied at the Ministry's school of higher education and the law faculty of Tirana University. We conducted the following interview with him:

[Zoto] What do you think about our jails? What are the specific things which make these jails places of horror?

[Caja] In Albania, imprisonment has been harsh, devastating, and degrading for the individual sentenced. But it has been even harder for the family of the prisoner and, it must be admitted, it has also been hard for the personnel working in the prisons. In saying this, I do not want to equate the three groups. The public, especially those who have suffered in the prisons, have the right to expect self-criticism and admissions of guilt on the part of the state and of those who worked in the prisons.

Today there is much talk about prisons and prisoners. But it seems to me to be paradoxical, in the era of pluralism, when the foreign press is reporting on our jails, that our press should report only on the prisoners, presenting their sufferings but not dwelling on the causes. Therefore, I think it is a good idea to treat this matter.

There have never been any legal provisions regulating the operation of our prisons. The prison administration had only regulations in the form of a ministry order, based on the Soviet model. However, while the Soviets made some subsequent improvements in the regulations, we kept the first version. As a result of the political

situation in the country and the worsening of the class struggle, the concentration of the prison administration on the prisoners changed. When attempts were made to mollify a bit the harsh attitude toward the prisoners, only cosmetic changes resulted, mainly related to the food, for the purpose of demonstrating, symbolically, the "humanism" of the dictatorship. These efforts were not accompanied by technical and organizational measures which would be effective. While not regulating the problems of the prisons by law, the prison administrations had a pole in their hands, instead of the law. So, our penal system itself is very harsh. This view, indeed, this harshness, was nurtured in society to the extent that society would regard the jail as a dark place in which the condemned deserved the punishment given to him.

Our prisons were economical. The prisoners were thought to be sources of manpower, working in difficult jobs, mainly in the mines. Now the prisoners do not work in the mines anymore. We are studying ways to increase their interest in work, to eliminate the physical obligation to perform work, an obligation which caused great suffering for the prisoner. I do not believe that hard work is educational. I think that work which arouses interest, work which produces high income, and work which equips you with a profession to help you in life have an educational effect. But for what kind of a profession has work in the mines prepared the prisoners? The jails in Albania have been treated as secrets; they have been given a mythological character and enshrouded in mystery. Such a treatment has kept society from exerting an influence to improve their situation. The class view of nonpolitical crime has had results. This view singles out the person imprisoned for ordinary crimes as a product of the class struggle. Also, the overestimation of and priority treatment given to guarding prisoners, to the detriment of their reeducation, has had its effects. In the final analysis, a prison sentence provides a chance for reform for an individual, reform which depends on the predisposition of the person sentenced and on the involvement of the state and of society. Physical suffering in our jails is mainly a result of perverse organization which transformed the prison from a place of deprivation of freedom and or reeducation, as it should be, to a place of physical suffering.

[Zoto] Today, public opinion has been sensitized by requests from many families for the return of the ashes of their relatives who have been murdered or shot dead, or who have died while in prison. So, we have dead prisoners. How do you think that this delicate problem can be resolved?

[Caja] The problem of the ashes of corpses is one which, first of all, is linked with certain rituals and obligations of the Albanian; it is a matter which violates our legal and religious tradition. The essence of the sublegal decrees on the treatment of corpses was the continuation of the harshness of the class struggle to the extreme limit, to absurdity. It is my personal opinion that this matter can be resolved through legal channels, by means of a clause in the law on amnesty which will be reviewed in

the People's Assembly. Otherwise, (I am not completely up to date on this issue, so I do not claim to know everything on the subject) I think that there will be some difficulties.

[Zoto] In our prisons there have constantly been resentencings of prisoners. Do you think that there have been any legal grounds for these resentencings?

[Caja] I know that in foreign penal legislation, a person sentenced for acts committed while he is in prison is punished by disciplinary measures because he is already in prison. On the other hand, the organization of prisons in the world minimizes the possibility of criminal acts. The resentencing of political prisoners in our country is connected with the worsening of the class struggle. I believe that the resentencings have not had sufficient legal grounds.

[Zoto] Then should not all the persons who have been resentenced be pardoned?

[Caja] I hope that these issues will be resolved by the new penal code and the new code of penal procedure.

[Zoto] The issuance of these codes will take time. The wait could be tolerable for those who have come out of prison but I do not think that this would be the case for those who are still suffering from being resentenced.

[Caja] If there are prisoners who are still suffering because of resentencing, their problem should be given priority treatment. However, the problem of resentencing is complex. For example, if a prisoner kills another prisoner, shouldn't he be resentenced for that?

[Zoto] At present, there are many prisoners in the jails who were tried before the law on the legal profession was issued. Should they continue to suffer the violation of their right to a defense?

[Caja] I am of two opinions in regard to the solution of the problem. First, I must take into consideration the insecurity which the release of ordinary prisoners arouses in people. Secondly, as a jurist, I believe, in my understanding of justice, that the law owes a debt to those persons who have been sentenced. In brief, I think that legal compensation should be given to those people, either by reexamining their cases or by a partial commutation of the sentence. But the latter is the prerogative of the Parliament.

[Zoto] Our jails are being written about and I believe that more will be written about them. Nevertheless, the important thing is whether our prison system will be reformed and how it will be reformed. What can you tell us?

[Caja] The reform of our prison system is a very serious problem but, unfortunately, all the necessary conditions for this reform have not yet been created. We in the prison administration have prepared the necessary legal

documents but we still need time to pave the way for a complete reform. I must stress that the need for this reform is acute.

[Zoto] Where is this reform being obstructed?

[Caja] The prisons are being maintained under the jurisdiction of the Ministry of Public Order without any professional justification or logic. I have said publicly that it is paradoxical to think that the prison system can be reformed at the proper pace if it remains within the Ministry of Public Order. And I am not saying this for bureaucratic or conservative reasons. I assure you that in our department a democratic spirit generally prevails. However, I believe that the Ministry of Public Order has so many problems related to protecting public order that problems related to the jails might be treated as second-class issues. On the other hand, it is paradoxical that while we say that we are going to Europe, in actuality we do not organize our institutions like they do in Europe, even in this area. It is essential that the prison system be placed under the jurisdiction of the Ministry of Justice, like it is in Europe. The activity of the prisons is outside the realm of the functions assigned by law to the Ministry of Public Order.

[Zoto] What is the situation in our prisons in regard to technical and material supply and is this situation favorable for the reform process?

[Caja] The situation in our prisons is pitiful. There is a lack of drinking water; the cots are worn out; there are still some jails in which the prisoners sleep on boards; there are no recreational activities; there is no thought of having a heating system based on the climate; there is little space; the present prison buildings not only do not satisfy functional requirements of living, but are also a source of contagious diseases, not to mention other diseases. As I present this pitiful situation, I have in mind the standard of living in our families and I do not intend to say that conditions in the prisons should be as good as or better than conditions in our families. But I have in mind an international requirement that material conditions in the prisons conform to an average standard.

In presenting this situation, I understand that the first thought is: What are the prison administration, the Ministry, and the government doing to solve these problems? Let me explain that it is not easy to put in order and to rapidly improve a situation which has lasted for 45 years, and this is even harder in the conditions of the current crisis. We have made efforts to obtain food and material assistance for the prisoners. We have had fruitful cooperation with the Albanian Human Rights Forum. We have established contacts with the "Doctors of the World" international organization based in Paris, which, so far, has not kept the promises which it made to us. It seems to us that we have established a permanent collaboration, which will extend into the future, with the

International Red Cross Committee which has its headquarters in Switzerland. I have confidence in its seriousness and in its mission. I trust that my presentation of the situation will attract the attention of the Albanian Red Cross and of charitable organizations. There is an acute need for a study of basic material, technical, and legal requirements and, on this basis, funds should be given to carry out, or rather to assist in, the reform of the prison system. We wish that we did not have to have prisons and prisoners but, as long as we have them, we must ensure that they live in the proper environment and under suitable conditions for human beings.

[Zoto] Our prisons cannot be conceived of without the harsh surroundings mentioned above and without the crude behavior occurring in them. Is it possible that the activity of our jails might be civilized?

[Caja] There has been and there still is an absence of skilled intellectual, sociological, psychological, and pedagogical thought in the activity of our jails. It is clear that the prisoner is as much his own victim as he is the victim and the sinner of the society in which he lives. Therefore, under present conditions, it is not allowable for our intellectual opinion to distance itself from the problems of those "difficult" individuals. The jails need something beside wardens. The mind should also be in charge in them.

It will be important for the administrative personnel of the prisons to have the proper concept of the purpose of imprisonment and to inspire confidence in their important humane mission. I do not deny that these things, in the light of the real situation in our prisons, might seem to be ideals which would be hard to achieve. In order to approach this ideal, it will be necessary, first of all, for a good number of the personnel currently working in the prisons, beginning with myself, to leave this work. We will be restructuring the prison administrations, in which, for the first time, we will be staffing with teachers, specialists in the field of education, and vocational education instructors for the purpose of civilizing the prisons. Also, we intend to set up correspondence courses for prisoners so that incarceration will not be time lost for the prisoner but will help him to resume his life after prison without excessive material, intellectual, and social efforts. The current educational level of 80 percent of the prisoners is less than eight years of schooling. The solution which we have in mind raises many problems of a technical nature which must be resolved on the basis of the experience of foreign countries.

[Zoto] Prisoners are sentenced to deprivation of freedom. However, this should not mean that they must be deprived of all personal and human freedoms: Are there any limits in this case?

[Caja] In the prisons, there are some types of relationships which must undergo a complete reform. These include the prisoner's relationship with his family and the community, his relationship with his job and its role

in his reintegration into society, his relationship with the personnel in the prison (and this is very delicate in light of the bitter experience from the past), and the prisoners' relations with each other and with other people; for example, the role of the family and the community in educating the individual, with the expansion of these relations. There should be no limitation as there has been up to now. Attention must be given to a matter of serious concern in our prisons: the issue of homosexuality, which has all sorts of consequences. I believe that the leave policy should be used more extensively, not only in the case of family problems, as has been the case since last year, but also as a reward, to give the prisoner sexual freedom during these periods, which could eliminate resentencings because of pederasty committed during imprisonment. This idea might appear heretical to someone even today. I would say to such a person: Is it in society's interest for our prisons to "produce" homosexuals?

As one can see, the problems are very complex, and it could never be claimed that they would be solved only by the prison administrations in a relatively short time. They require serious involvement on the part of the organs of justice and various societies, which, fortunately, we have in abundant supply, on the part of the Parliament and the government, so that once and for all, as quickly as possible, we can eliminate the causes of errors in the past.

[Zoto] In addition to the prisons, our country also has a reform school for minors. Should this school be kept in operation?

[Caja] We should keep it. It is a system which the rest of the world has. It is essential so its existence cannot be a matter of discussion. But there is a problem. Our penal system calls for prison sentences for minors, in addition to the educational measure of enrollment in reform school. But we note that the courts sentence more minors to jail than to reform school. I think that a prison term is a destructive and premature sentence for a minor. Therefore, reform school is more reasonable and provides a greater opportunity for reeducation. At the present time we have 16- to 18-year-olds in prison.

Naturally, our school has a brief existence and little experience. Since I have the opportunity, let me give my opinion about an article, published in your newspaper on 13 July entitled "Some 120 Cadres to Reeducate 17 Students." It is an article which contains things which are not true and which denigrates personnel who are working for the democratization of the schools. The author of the article takes it upon himself to treat professional matters without the least sign of professional competency. Also, let me mention that the school is currently located in a tent, under very poor conditions, because it left the quarters which it used to have to implement the decision of the government on transferring the Spac prison. What did the minors think about this? It was very good to take the prisoners out of Spac

and put them in a better environment, but how long will they be playing around with the reform school?

[Zoto] Political prisoners have been set free. During their prison terms they worked, especially in the mines. By their work, they supported the warden who guarded them and the machine that drove them to prison, not to mention the fact that their sweat was also exported, in the form of ore. Shouldn't they be given credit for their time in prison for pension purposes?

[Caja] This is a completely justified demand of theirs. Political prisoners were mainly a whim of the regime.

For this reason, they are not guilty of any real crime. In my opinion their demands should be satisfied on a priority basis.

[Zoto] What do you think about the Association of Political Prisoners?

[Caja] I do not have anything against it. On the contrary, I think that it can be influential in finding legal channels for the demands of the political prisoners. On the other hand, this association can be helpful in achieving radical changes in the prison system in our country. I have met with and am still meeting with some of them. Their organized voice should be heard even more. It is the voice of people who have suffered very much in Albania.

**Slovak Comment on Dubcek Controversy**

**SMENA Commentary**

*91CH0768A Bratislava SMENA in Slovak 23 Jul 91 p 3*

[Article by Marian Bednar: "Will Dubcek Remain a Legend?"]

[Text] In one of his answers (in an interview for NARODNI OBRODA), Chairman of the Federal Assembly Alexander Dubcek wrapped himself in the mantle of a social democrat without a rigid partisan style oriented clearly to the left of our political spectrum. This is no news to an observer of the political scene, but in respect to the explanation of his parting with VPN [Public Against Violence] published in yesterday's press, some of the facts sound contradictory. Everyone understands, of course, that as a leftist-thinking politician he cannot agree with the VPN's turn to the right under the leadership of Jozef Kucerak. But I would beg to differ with his assertion that it was VPN on Venturska Street that caused the internal split in the movement. No matter how I tried, ex-Prime Minister Vladimir Meciar did not look to me in those days like a politician trying with all his might to hold VPN together. I have a feeling that in this case result was confused with cause to some degree.

The position itself of the VPN representatives as presented yesterday testifies to a sober attitude toward the announced parting with one of the most important political legends of today. But I cannot judge to what extent they realized how this loss would affect future election result. The public still tends to vote for personalities rather than parties and movements. The whole affair is somewhat startling, however, because Alexander Dubcek, by making his statement—I have expressed my position on HZDS [Movement for a Democratic Slovenia] in my congratulatory letter to the founding congress—found himself ostensibly in the position of a champion of a movement about which (on the questions of constitutional arrangement) he voiced a number of reservations. His words—I could not let myself be guided by some momentarily victorious trend at the cost of going in a different direction than the majority—do not sound very credible in this political triangle.

The presently splintered internal political scene downright begs for a nonpartisan, charismatic personality of high moral standing (without ambitions to be a leader) who would create some possibilities for solving the internal political conflicts. Vaclav Havel is too much a man of the day to be acceptable in this role. It would serve society well if the current chairman of the Federal Assembly would assume just this kind of political role without unnecessary expressions of sympathy with one or other political party.

**SMENA Editorial**

*91CH0768B Bratislava SMENA in Slovak 25 Jul 91 p 2*

[Article by Robert Kotian]

[Text] The Dubcek controversy is becoming more strident, and for many reasons this controversy is beginning to look like a continuation of the struggle between the right that is turning more radical and the still not finally constituted modern left. Probably few people doubt that society as a whole can benefit from a properly conducted contest for voter's approval, which should result in a functioning and prospering society. But thus far it rather seems that any problem is useful for getting rid of political adversaries.

If ODS [Civic Democratic Party] gives A. Dubcek's departure from VPN [Public Against Violence] as the reason why he should leave the position of chairman of the Federal Assembly, it must be also said that as long as Dubcek does not openly join the opposition, as long as he makes every effort to take a nonpartisan position, thanks to which he could be helpful in properly resolving political controversies, any thoughts about his being recalled from his function are unreasonable and, it can be said, in view of the experiences with the fluctuations by the deputies in the Federal Assembly, also unethical. If the deputy chairman of the ODA [Civic Democratic Alliance], D. Kroupa, considers the departure of A. Dubcek from VPN a reason for his resignation, let us remind the former OF [Civic Forum] deputies, for instance, what became of that movement since the elections, into how many parts it broke up, to what extent it departed from its pre-election program, and let us ask about the legitimacy of these deputies in the Federal Assembly and in the federal or Czech governments.

Fortunately, even on the Czech scene there exist realistic political groupings able to take a constructive position that is not motivated solely by the impossibility of finding a worthy replacement for A. Dubcek (for example, the Civic Movement or, in this case, also KSCM [Communist Party of Bohemia and Moravia]). We cannot but agree with the opinion that to the question whether "party affiliation is more important than a personality or whether a personality who is not a member of any of the parties in the coalition government can hold top constitutional positions, the answer of mature democracies is clearly in favor of personalities" (KSCM statement).

Similarly, we cannot avoid the suspicion that the radical Czech groups are making use of every opportunity to discredit Slovak politicians (meant more for foreign consumption) by which they want to ensure before the tense negotiations in the fall the best starting position for an aggressive partner who is again giving orders. For the idea of coexistence, this is not the best calling card to be sending. Or is it a gauntlet?

**Czech Comment on Dubcek Controversy****LIDOVE NOVINY Editorial***91CH0767A Prague LIDOVE NOVINY in Czech  
23 Jul 91 p 1*

[Unattributed article: "The Parting"]

[Text] This Sunday, Alexander Dubcek told a CTK reporter that he left Public Against Violence [VPN]. According to him, it was accomplished by his leaving the Slovak VPN Council and then by means of a number of announcements in newspapers, radio, and television. The reason for his leaving was that "VPN gave up the politics of the center and chose the politics of disunion." As far as his position on the Movement for Democratic Slovakia [HZDS] is concerned, he already expressed that in his congratulatory letter to the founding congress.

I do not know by which route Alexander Dubcek arrived at the opinion that VPN started on the road to disunion. As I remember, it was the other way around: four months ago, the followers of the then Slovak Prime Minister Meciar came to the conclusion that they were not going to succeed in reversing the direction of VPN in the way they wanted, and so they created their own platform in the Movement for Democratic Slovakia. I also remember how important they felt it to be that Alexander Dubcek not take a stand against them, in case they fail to win him over to their side directly and quite openly. And no wonder, because in spite of all the efforts of many politicians on the Bratislava scene, this symbol of the Prague Spring is still the best-known Slovak around the world, and in Slovakia maybe the only generally respected Slovak who is part of the federal system—even by those who otherwise see red when they look at a leftist politician. To have Dubcek on your side simply is a welcome political capital there.

Since Sunday, therefore, Meciar's party has a little more of it. And it is not even important that Alexander Dubcek does not yet belong to the HZDS deputies' club in the Parliament. But what is important, and moreover what causes concern, is the fact that he does not call things by their correct name. No matter how I look at it, I understand his explanation why he left VPN this way: he parted company with VPN because it pushes radical economic reform and the federation, refuses to give up centrist politics, and does not intend to turn left, to populism and short-winded social demagoguery.

**SVOBODNE SLOVO on HZDS Support***91CH0767B Prague SVOBODNE SLOVO in Czech  
25 Jul 91 p 4*

[Report on press conference with Prof. Rudolf Filkus, chairman of Movement for a Democratic Slovenia Council, HZDS; place and date not given: "Protecting Dubcek; HZDS Rejects Attacks on Vladimir Meciar"]

[Text] Bratislava (ZJK)—The chairman of the HZDS [Movement for a Democratic Slovenia] Council, Prof. Rudolf Filkus, held a press conference yesterday, in which he thanked some Bratislava newspapers for considering him a prudent and intelligent man, but at the same time rejected any doubts cast on his relationship with HZDS.

He said that his relationship to the movement is firm, not vacillating as was alleged. These assurances were made with respect to his meeting with the VPN [Public Against Violence] Chairman Jozef Kucerak. R. Filkus, on whose initiative the two met, said that the HZDS leadership knew about the meeting and that he informed them about what transpired there. Other than the constitutional questions, they discussed the discord between the coalition and the opposition when filling important functions. For example, the former minister of finance, Michal Kovac, was rejected by the coalition as a candidate for the position of general director of the State Bank in Bratislava only because he is a member of the opposition. It is the opinion of HZDS that if the selection process continues in this manner, the positions will not be filled with experts and the situation will become worse than during the communist dictatorship. R. Filkus, whose HZDS standing is commensurate with that of V. Meciar, rejected the personal attacks made during the preelection campaign. He said that some people, who need to portray V. Meciar as a cheat and a liar, paint his picture in a way that will result in such an evaluation. The top representative of HZDS also rejected the opinion of the political opponents of this movement, who began to assert that A. Dubcek is a "red ace in Meciar's hands." R. Filkus said that A. Dubcek is doing the right thing when as the chairman of the Federal Assembly he stands apart from all parties and movements—therefore VPN as well—while not denying his social democratic thinking. He added that as far as President Havel is concerned, nobody knows to what extent he belongs to the Civic Movement, to the Civic Democratic Party, or to the Civic Democratic Alliance, and it does not bother anybody.

**LIDOVA DEMOKRACIE Editorial***91CH0767C Prague LIDOVA DEMOKRACIE in Czech  
25 Jul 91 p 1*

[Commentary by Jan Kastanek: "Does Dubcek Belong in the Parliament?"]

[Text] When Vaclav Havel first accepted the candidacy for president, he announced that he wished to have Alexander Dubcek near him in some high position. Was that a gesture toward Slovak politicians, who obviously at that time were already thinking about much more? Or an expression of appreciation toward the one-time leader of the "Prague Spring"?

Whichever way it was, the problematic choice of this politician to head the Federal Assembly confirmed on the one hand the linkage of the new governing power

structure to the reform Communists, and ultimately created new questions on the political scene. Dubcek has now left the Slovak movement Public Against Violence. That brought a sharp reaction from the Civic Democratic Party: its deputies demanded that Dubcek resign from his position. Dubcek, it is said, is no longer a representative of the government coalition, and his support for the opposition is incompatible with the function of chairman of the parliament....

A considerable part of the public thinks that it is at the very least strange that the Parliament is presided over by the one-time first secretary of the CPCZ [Czechoslovak Communist Party] Central Committee. It is typical of the successors of the Civic Forum that up to now they have thought of Dubcek as a member of the government coalition—former Communists, it so happens, are the backbone of this government. It is no wonder, then, that RUDE PRAVO in its Wednesday editorial "What to do with Dubcek?" quite correctly stated that a reformed communist with leftist views could be a thorn in the side of many people. But it must be added that he became a thorn in the side of the powers that be only when he parted with them. To people, who reject communism and socialism on principle, that is, in any shape or form, he has been a thorn in their side from the moment he was installed in his present position.

But it is not necessary, of course, to vilify Alexander Dubcek at all costs. His political profile has certain sympathetic features. To begin with, he did not change his color with the enthusiasm shown by other crypto-communists and he stayed true to his ideas. He was, of course, one of the architects of the communist totalitarian system following the February coup d'etat in 1948. But because he can be characterized as a "hesitant warrior" who acted in a decent, tolerant, and pragmatic manner, he was able to play the role of a seemingly willing adversary of the totally incompetent dogmatist Antonin Novotny. We know the fate of Dubcek's efforts to reform the unreformable and to humanize what was in itself against humaneness. He was dragged away to Moscow—and he signed. When he announced it in his radio speech to the nation, he wept. We felt great pity for him then. But the myth of a hero soon began to fade, all the more because he began to cooperate with the normalizers; we can find his signature on many pro-normalization measures, including laws against demonstrators. In the end, they treated him like the Moor who has done his duty—and he was gone. He had the right in 1989 to speak to the nation, he had the right to personal rehabilitation. But he did not have good enough judgment to realize that in the position of Chairman of the Parliament he will stand out like a sore thumb. The political parties in the Parliament who supported him—albeit some with reservations—should have realized it too. And those politicians who welcomed him as an adherent of the "government coalition" have now been taught a lesson. In his political thinking, which may strike some people as naive, Dubcek showed more backbone than many of them.

Dubcek should leave, because he is a proponent of a world-view which today has nothing to say to anybody. Leave quietly—and maybe with what is left of his authority help dampen the various passions, most of all the nationalistic ones. The Slovak prime minister announced an independent Slovakia for the year 2000. Yesterday's press commented that he has the same goals as Meciar, but acts in a more civilized manner. That is true. But it is also true that the end justifies the means, and that at issue is not so much the form as the substance. The Parliament, perhaps already without Dubcek, will have many problems when it returns from vacations. Whether it will be able to deal with them in the configuration which no longer conforms to the political stratification of the society is a big question. Much will depend on who, if Dubcek departs, will take his place. It can be expected that ODS, which considers itself the main heir of the winners in the last elections, will stake a claim. However, such heir is not at all identical with the entity to whom the voters gave their vote in droves following the November euphoria. So we can go a little further in our prognosis: It will not be easy for the Parliament which—quite surely without Dubcek—will be in place after the next elections. The legacy with which it will have to grapple will obviously be much more complex than what followed November 1989....

#### Czech Press Reacts to KDH-Proposed Treaty

##### Editorial Criticism

91CH0766A Prague SVOBODNE SLOVO in Czech  
25 Jul 91 p 4

[Article by Ku: "Question Marks of Truthfulness—A Few Thoughts Regarding the Christian Democratic Movement Proposal for a State Treaty"]

[Text] "Queer" is what we called yesterday's proposal by the party of the Slovak prime minister for a future "state treaty"; we did not have the best feelings about it—and even 24 hours later our feelings have not changed. After all, all the hitherto heard nationalistic talk by the undoubted minority have suddenly become specific with respect to points and paragraphs, the texts of which are frequently the antithesis of apparently serious proclamations by the alleged majority regarding their aspirations and efforts to live in a joint state.

Even the proposal speaks of it—in fact, it knows no other alternative—but in the very first article it calls the Czech and Slovak Republic "sovereign states." And right away the first and not new question rears its head: Does this sovereignty already exist today or is there still a CSFR? To the extent to which we continue to be part of the federation, then, in fulfillment of Paragraph 1 of Article 1 of the proposal, we must completely and unconditionally destroy the existing Czech and Slovak Federal Republic. Who will do that?

The second paragraph speaks of a joint state as a sovereign entity. However, let us attempt to ask the

extent to which it can be sovereign when its executive organs (Article V, Paragraph 1) include, among others:

- A Ministry of Foreign Affairs, but with foreign policy being coordinated (Article IV, Paragraph 1c)—but with whom, if the existence of a sovereign state after all anticipates even a sovereign foreign policy?
- A Ministry of Defense, yet defense (Article IV, Paragraph 1b) of the Czech and Slovak Republic and the maintenance of security of the joint state is accomplished with joint forces of both republics, each of which would thus have an army of its own and the declared "sovereign joint state" would essentially have none.

All of this certainly appears normal to the originators of the proposal, but we are contemplating the sense of the existence of the proposed joint legislative organ (Article II, Paragraph 1) which, no matter what its composition (Paragraph 2), is supposed to adopt a constitution, but that constitution would not be valid as long as the legislative organs of the individual republics of the alleged joint state do not ratify it. And if it is a question of the constitution, then actually it can be a question of whatever....

According to the proposal, all matters are to be solved fundamentally on a basis of parity. Ministers must have state secretaries of the second nationality, committee chairmen must similarly have their deputy chairmen of the second nationality, and we do not doubt that if even the total number of chairmen and ministers are not in the same ratio, they will not see confirmation. In other words, nationality is something which is virtually prescribed for these leaders; party affiliation within the framework of a similar democracy is probably understood in and of itself—but there is not even a mention of such a basic and fundamental requirement as expertise. Okay, if, however, everything is precisely divided in half and if everything is in agreement: Will the tax contribution made to the budgets of the republics also be in agreement? And will there be agreement—50-50—regarding the solution and movement of market-regulating funds (e.g., our joint agriculture), etc.?

Certainly, time will provide the answers to these questions. On Tuesday, Dr. Jan Carnogursky already said on Slovak Radio that if the proposal does not speak of either a federation or a confederation, then this is so because "prior to the initiation of negotiations regarding the treaty, not all details are revealed...." Let us seek justification for this proposal, which is clearly unbearable for us, even in his Sunday speech in Munich, which he closed with the following words: "Permit me to tie in with the ideas of the Prague author and philosopher, Franz Kafka: 'Let us be realists, let us demand the impossible.' With regard to the question of the constitutional standing of Slovakia and its future functioning in the European Community, we are and remain realists."

Under these circumstances, the KDH [Christian Democratic Movement] proposal elucidates the contours of future negotiations and conjectures and, let us fear, also of somewhat less diplomatic forms. These are contours which no longer only pertain to the very queer nature of the proposal and its questions, but also pertain to our future prospects.

### KDH Secretary Queried

91CH0766B Prague SVOBODNE SLOVO in Czech  
26 Jul 91 pp 1, 4

[Interview with Jan Petrik, central secretary of the Christian Democratic Movement, KDH, by Josef Zalesak; place and date not given: "The Unambiguous KDH Line"—first paragraph is SVOBODNE SLOVO introduction]

[Text] Even though perhaps the results of the public opinion poll do not clearly so indicate, it is beyond any doubt that the KDH [Christian Democratic Movement] is playing an ever more explicit coordinating role on the Slovak political scene. This particularly pertains to the constitutional process, in conjunction with which we asked Jan Petrik, central secretary of the KDH, for a topical interview.

[Zalesak] The publication of the proposed KDH treaty between the Slovak Republic and the Czech Republic has brought about a certain degree of surprise on the Czech side. Do you feel that such a reaction is adequate?

[Petrik] I do not think so. Anyone who is following the KDH approach in a certain time continuum must see and should see that our movement does not deviate from its program. This program is clearly formulated and interpreted with sensitivity by KDH officials. That is why, if anyone was to be surprised, for example, by what Jan Carnogursky told the French newspaper LIBERATION, this would attest to their level as a political observer. The prime minister had merely repeated that which he had stated several times before in a different form, with a certain role possibly also played by the editorial translation of his responses.

[Zalesak] Is it possible to expect that the Czech side will be interested in some kind of temporary federation?

[Petrik] Obviously not, but the KDH did say—We want to try to have Slovakia enter Europe as a geopolitical whole. Representatives of the Czechs and Slovaks will mutually support each other in European institutions as two nations which are living together for three-fourths of a century. From the very beginning, this was accepted by the Czech side as something which has a touch of naivete; later, it was perceived as something more of an irritant and, in the end, Mr. Havel said, during the most recent constitutional negotiations at Lany, that the European sky is so large, why then could Slovakia not have its own star in it? Europe understandably is not inclined to break up something which has already been integrated,

but a mother does not understand her own child if it cannot speak and that is why even Slovakia must be heard from.

[Zalesak] Of course, this compels the question as to what will happen if Europe will be lacking in understanding Slovak goals?...

[Petrik] Yes, there is the question as to whether Europe will go along? Then we will have to tell ourselves whether, perhaps, the advantages of membership in the EEC are worth a certain reduction in our national interests or whether Slovakia will stand—symbolically speaking—outside of a Europe which is perceived in this manner? But this is a remote prospect, let us say, 10 years down the line, when developments have reached a point beyond current realistic notions. One thing is certain already, however. Slovakia has no other way except that which leads to its prosperity, to its own responsibility for its own development and future fate, accompanied by the full assertion of its national identity. In looking around Europe, it is completely clear that this is an unstoppable process which pertains not only to Slovakia.

#### **TV Program on Czech-Slovak Separation Criticized**

91CH0729A Bratislava NOVE SLOVO in Slovak  
11 Jul 91 pp 4, 5

[Article by Juraj Maslani: "An Equal With an Equal"]

[Text] I cannot commend myself for having the patience to watch the famous television program "What If..." to the very end. Faint heart? That also. But above all disgust and disagreement.

It seems to me that a kind of high stakes game is being played, into which we are ever more and ever more deeply drawn. The reader, listener, viewer, is being prepared for the alternative: what if... A Czech viewer must be shocked by the shouts of Slovak old men in the street, and as he follows the federal television programs where at least one Slovak speaks, he will certainly ask himself: Do we really want to live together with such a nation? No wonder, because the creators and moderators of the programs from Prague (including the President's), either intentionally or without realizing it, project an image of the representatives of this nation as that of separatists, leftists (that is an insult here today), people deeply contaminated by totalitarian thinking, and at best as bit players or kind souls who do not understand anything and just follow with their mouths open what their learned fellow panelists in the studio are talking about. What the creators do not succeed in doing during the live taping, they finish during the editing. Examples? Edited Minister Krsek and ex-Minister Filkus (what did they actually say?—we did not find out even during reruns of the program). Messrs. Klaus and Dlouhy easily succeeded during their historic television discussion about economic reform (with opponents participating) in making the sole representative of a differing Slovak

economic community seem like an idiot. They caught the Minister of Slovak Forest and Water Management flat-footed: He spoke with enthusiasm but he used totalitarian terminology (he mentioned, among other things, a five-year period, which to some of those present smacked of a five-year plan; the poor wretch should have mentioned two and a half years times two, or one year times five, or something like that).

More examples could be cited, but to what purpose? I get the feeling that I am being manipulated, drawn into something that I do not want, but that I will perhaps want before long if I let myself be influenced by the "salutary" effects of this centrifugal, disintegrating propaganda. If we give in to this propaganda, then it will be hard to predict other than a bad end to our coexistence.

But at issue are not just the television programs of channel F1. There are also other troubling phenomena: ignoring the position of the Slovak National Council on the draft laws (waste disposal, clean air) in the Federal Assembly, the catastrophic scenario of the break-up of the federation predicted by the Czech National Council, the federal minister of finance reproaching the prime minister of the Slovak government for his views on the constitutional arrangement and at the same time warning all Slovak politicians not to take the liberty to ever or anywhere talk that way (or at all?)....

It seems, therefore, that there really is nothing easier than antagonize two close nations. I think that work on that is going on and—have to hand it to them—there are results. And not negligible ones! The mentioned minister of finance, his party, and indeed most of the Czech voters have had it up to here with the temporary federation game. According to P. Rychetsky, there has been a turnabout on the question of Czech-Slovak relations since the beginning of the year. The Presidium of the Civic Movement sees some of the tendencies in Slovakia toward separatism and nationalism as the reason!

Well, why deny it, such tendencies do exist in Slovakia. But there are also other tendencies and facts, to which a realistic politician (as well as an "ordinary" citizen) must not close his eyes; four-fifths of the Slovak population is in favor of coexistence with the Czech nation (results of a study by the Institute for Social Analysis in May 1991). This conclusion is also supported by the study which was carried out, also in May, by the Institute for the Study of Public Opinion of the Slovak Statistical Office: Some form of coexistence of Czechs and Slovaks was favored by 81 percent of respondents. Most of them—55 percent—want to live in a federation which would be based on the constitutions of two sovereign republics. Therefore, in Slovakia there has not been a "turnabout" in opinion on the life of our nations in a common state! The spontaneous negative reaction of Slovak citizens to the mentioned television "opus" confirms it. But I am afraid that the constant use of the "what if..." approach working on people's minds and the various catastrophic scenarios do not make such a "turnabout" less likely, on the contrary.

The entire matter is complicated by the fact that some politicians and "politicians" have been making political capital out of long-unresolved, sensitive problems of Czech-Slovak relations. For example, when I listen to the speakers at the "all-nation" celebrations and gatherings, I have the feeling that these people are somehow further along in their thinking than I am, that they know something that an ordinary mortal does not know, that they can see behind the scenes, know facts, and have results of profound analyses at their disposal, which enables them to present so masterfully, without any signs of doubt, without wavering, by and large unequivocally, a recipe for solving such complicated questions as are the questions of Czech-Slovak relations, constitutional arrangement, the future of the Slovak nation on the map of Europe and the world. I am asking myself how they can be so certain, and I am waiting for them to "let us in on it" and at last open the eyes of those remaining four-fifths of Slovak citizens, and on the basis of concrete arguments demonstrate that the road they are proposing to take is really the right one and the only one possible if we want to be a nation *sui juris*, making its own decisions about its affairs. Thus far, however, rhetoric has been substituted for facts.

What I have learned and experienced thus far does not support the view about the inevitability of an independent Slovak state as the only solution that has future prospects. I cannot imagine that a nation which cannot resolve the question of coexistence with a nation closest to it could manage to live in fruitful cooperation with any European nation in the future—let us say, confederated—Europe. I am convinced that coexistence of our nations, life together as an equal with an equal, is possible, has a future, and is in the interest of both the Czechs and the Slovaks.

### **Meciar's Party Beginning To Diversify**

*91CH0734A Prague RESPEKT in Slovak  
No 28 15-21 Jul 91 p 3*

[Article by Milan J. Zitny; place and date not given: "Conflicts in the Movement for a Democratic Slovenia"]

[Text] Hardly had the members of the HZDS [Movement for a Democratic Slovenia] mutually assured each other of the accuracy and importance of their political program during the founding meeting of the HZDS, the major point of which was the implementation of the confederative organization of the present CSFR, when the first conflicts already appeared about this very problem.

During a speech to the National Revival on 9 July, Alexander Dubcek unambiguously supported the Czechoslovak state and simultaneously criticized Meciar's plan for a confederation as being covertly separatist, something that no political group in the Western democratic world would support.

Although Dubcek never described himself as a member of the HZDS, he supported Meciar several times in his

battle with the VPN [Public Against Violence], whereby he considerably contributed to a successful start to the HZDS's popularity. Now, it is clear even to him that Meciar has again played too dangerous a card, and a number of groups are appearing on the political scene, demonstrating their adherence to a more cultivated socialist democracy than that of Meciar's followers; they are turning away from their extremism and are joined by HZDS delegates to the Federal Assembly: Milan Cic, Ivan Laluha, and others. The former minister for economic strategy of the Slovak republic, Rudolf Filkus, has also come to the same conclusion. It is quite possible, that this is only political vacillation on the part of this prudent and intelligent man, however, we did notice that last week he spent quite a lot of time in a private meeting with the leader of the VPN movement, Jozef Kucerak. He has probably realized the difficult position a minister in the government of an independent Slovak state would have and is looking for a way out of the dead-end street into with Meciar's political brutality is heading.

Possibly because of these conflicts, Meciar is sending friendly signals toward the KDH [Christian Democratic Movement], where he has found some similarly oriented politicians. Perhaps, at this point, one can include the strange proposal made by the deputy chairman of the Slovak National Council, Jan Klepac of the KDH, that the Slovak parliament's resolution on the report about the implementation and actualization of the program declaration of the SR government should include the executive power's recommendation to prepare a law on the national guard. Considering the fact that the future Slovak state will need its own army, and the Ministry of National Defence is rejecting the political activity of Slovak nationalists from military circles, a national guard may—due to the fact that it is voluntary—become the basis of the Slovak national army and emphasize the patriotic duty of a nationalistic Slovak. Considering the lack of explanation of crime and a rising curve in crime rate, it is obvious that the necessity to create an additional armed group will naturally also grow—which, together with the SR [Slovak Republic] Ministry of the Interior's police force, will provide Slovakia with greater guaranteed security. These demands are relatively close to the HZDS party line. However, they do not find much support among more liberally minded Slovak politicians, who do not prefer the imperative and confrontational steps as Meciar does. Therefore, one can expect the conflicts in the HZDS to become greater, including those about the question of the referendum, and there will be a strong, perhaps even disastrous, split in the powers, which could turn the present conditions on the Slovak political scene to the disadvantage of the HZDS right before the parliamentary elections.

### **India Seen as Very Important Trade Partner**

*91CH0752D Prague HOSPODARSKE NOVINY  
in Czech 17 Jun 91 p 8*

[Article by Eng. Jan Jenik, Federal Ministry of Foreign Trade: "India Interested in Coproduction"]

[Text] Traditionally, India is among the most important trading partners for the CSFR. Favorable conditions for future development of trade relations are inherent in the character of the economies of both countries, which complement each other suitably. In the history of bilateral contacts, 1989 and 1990 saw record sales valued at \$350 million and \$400 million, respectively, with the balance of trade being generally even. In comparison with 1988, sales volume increased by 45 percent.

In the period under consideration, the principal Czechoslovak exports to India included installations for a medium-profile rolling mill for the Visakhapatnam Steel Mill, plus rolled material, plastics, metal-cutting and metal-forming machines, bearings, leather-working and footwear machinery, diesel aggregates, and components. A positive aspect regarding the above items is the fact that about one-half of the engineering production involved is exported to India within the framework of ongoing coproduction involving Indian partners.

As far as Czechoslovak imports are concerned, in addition to traditional raw material items (fodder cake, spices, tea, coffee, tobacco, mica, hides, iron and manganese ore) imports from the processing industry of India also increased during that period. These involved particularly cotton yarns, consumer electronics items, leather-working products and footwear, cotton textiles, jute products, pharmaceutical products and medicines, cosmetics, parts for textile machinery, mufflers, and office machines.

Relatively new import items include watches, alarm clocks, and sporting goods. The share of products from the Indian processing industry in total Czechoslovak imports has, thus, continued to rise and already accounts for about one-fourth of the imports. At that, however, the share of these products in Czechoslovak imports is far from reflecting the degree of industrialization which India has achieved. It can be anticipated that the introduction of the principles of a market mechanism in the Czechoslovak economy will create conditions for the greater assertion of Indian production in the Czechoslovak marketplace. India continues to be among the important trading partners of the CSFR. As far as the exchange of goods with Czechoslovakia is concerned, India was in 15th place in 1990 overall and in first place among the developing countries. India has always represented an important market for Czechoslovak engineering production and the share of engineering products in Czechoslovak exports to India is normally around 60 percent.

In January of this year, both countries signed a new trade and payments agreement which anticipates the continuation of payments in clearing rupees for a period of an additional two years. At the same time, a goods protocol was signed for the year 1991 and is valued at 9.1 billion Indian rupees which represents a 25-percent increase over 1990. Formally, therefore, the necessary prerequisites were created for the further expansion of economic cooperation.

After aggregating all aspects and taking into account the advantages of payments in rupees, given the increasing shortage of freely convertible currencies in India, the following increases and forecasts for the mutual exchange of goods between the two countries can be considered (in billions of Indian rupees—\$1 U.S. = 21 Indian rupees):

Item	1991	1992	1993	1994	1995
Czechoslovak exports	4.1	5.0	6.0	7.0	8.0
Czechoslovak imports	5.0	5.4	6.5	7.0	8.0
Sales	9.1	10.4	12.5	14.0	16.0

It is likely that the engineering industry will retain a significant share in Czechoslovak exports (more than 50 percent). Good prerequisites exist for the expansion of exports involving machine tools, textile machinery, leather-working and polygraphic machinery, and diesel aggregates. However, it is generally necessary to anticipate growing competition by domestic industries, including preferential treatment for domestic industries in economically evaluating the offers of Indian producers and it is, therefore, necessary for the Czechoslovak engineering industry to react more flexibly to the interests of the Indian trading partners interested in coproduction.

India will continue to be an important importer of raw materials and semifinished products. For Czechoslovakia, good opportunities exist primarily with respect to plastics and metallurgical materials, where our share in India's imports continues to be relatively small. This will depend on structural changes, on production capacities, and on price developments in Czechoslovakia and on the extent to which Czechoslovak manufacturers will prove capable of utilizing the opportunities which exist in the extensive Indian market.

The problem of exporting Czechoslovak turnkey facilities to India is complicated. In view of the current status of the negotiations regarding the possible Czechoslovak participation in new projects in India, it is not possible to anticipate that important deliveries of Czechoslovak facilities will take place over the next two years (with the exception of ongoing deliveries for the Visakhapatnam rolling mill). However, it is realistic to consider contracting for Czechoslovak deliveries with the provision that they might be considered for the period following 1993. The Indian side and decisive organizations have a fundamental interest in cooperating with Czechoslovak manufacturers: The main problem, however, remains the open question of financing Czechoslovak deliveries on the one hand and a part of India's subdeliveries and construction work on the other hand. In this regard, Czechoslovak opportunities are quite limited and consideration can be given, for example, to participation in projects financed by the World Bank or possibly less important deliveries of selected technological facilities. Nevertheless, it is necessary to monitor this area because, in the next 10 to 20 years, India will be realizing

the construction of a number of new high-volume important projects, particularly the following:

- in the area of the energy industry (both thermal and also hydroelectric power plants and recently preferred gas-fired electric power plants);
- in the area of petrochemistry, where opportunities exist for Czechoslovak delivery of facilities for refineries and enterprises producing synthetic fertilizer;
- in the area of the mining industry, where particularly surface mining of coal will continue to be advantaged and where Czechoslovak manufacturers have suitable equipment to offer;
- in the area of metallurgy, where the opportunity exists for Czechoslovak participation in the reconstruction and expansion of existing capacities.

All of these considerations, however, depend clearly on solving the question of financing, either by the CSFR or in collaboration with foreign suppliers, utilizing banking consortiums.

Even for purposes of the upcoming period, it is necessary to base considerations on the fact that the decisive portion of imports from India will be made up of the previously named raw materials and semifinished products. Consumer goods, the share of which has been growing in recent years, could account for as much as 30 percent of the share of imports. The principal components will clearly include consumer electronics, cotton products, footwear uppers, cosmetics, pharmaceuticals, to a lesser extent, hand-made products, leather ready-to-wear and fancy goods, and sporting goods. To a considerable extent, developments in this group of products will be dependent on the marketing activities of Indian exporters, in view of the new conditions in Czechoslovakia, and their price policies and their adaptation to competition from West European and other suppliers.

Thus, India remains a broad market for the assertion of Czechoslovak engineering products and there are good opportunities for establishing mutually advantageous collaboration. At the same time, India is a potential supplier for a whole series of raw materials and semifinished products, which Czechoslovakia will continue to import. In view of lower production costs, India could become an important supplier of a broad spectrum of consumer goods.

Capitally strong Indian firms are now beginning to show interest in investing in Czechoslovakia, with the interests of Indian partners in joint investments in India or in possible third countries persisting. In view of the changes in the Czechoslovak economy, India presents relatively good opportunities for the sale of Czechoslovak technologies and know-how which are ceasing to be economically interesting in Czechoslovakia.

A condition for voluminously significant Czechoslovak deliveries for capital projects in India, however, remains the finalizing of advantageous credit conditions, where

broader participation on the part of the Czechoslovak banking sphere is anticipated.

### **Preliminary First-Half 1991 Economic Results**

91CH0752E Prague *HOSPODARSKE NOVINY*  
in Czech 18 Jul 91 pp 1, 9

[Article by hp: "Deeper Decline in Industrial Production During June—Preliminary Results of the Czechoslovak Economy for the First Quarter of 1991 as Reported by the Federal Statistics Office"]

[Text] As can be seen from the preliminary results which were published yesterday by the Federal Statistics Office, the development of the economy during the first half of this year was characterized particularly by deteriorating sales problems in the domestic and foreign market and by the gradual effectuation of the transformation processes in the Czechoslovak economy.

In June, consumer prices rose by 49.2 percent over December 1990, with the price increases for June amounting to only 1.8 percent in comparison to May. The number of unplaced job applicants was 300,800 by the end of the first half, that is to say, 3.8 percent of the available labor force. A lowered demand for agricultural products was reflected in declining sales of the main types of livestock products. We reported more detailed information already in previous issues of *HOSPODARSKE NOVINY*.

### **Domestic Trade**

In accordance with estimates, total sales in retail stores and in public catering, including sales by small enterprises and individual entrepreneurs, amounted to 26.9 billion Czech korunas [Kcs] in June and were 11.8 percent lower than sales in June of last year; from the beginning of the year to the end of June, estimates of total retail sales (in retail businesses and in public catering establishments, including small enterprises and individual entrepreneurs) amounted to Kcs172.1 billion and were 0.8 percent higher than sales for the first half of last year. Retail turnover in selected commercial enterprises employing more than 100 employees declined in comparison with the same period of last year in June by 19.9 percent, and by 7.2 percent during the first half of the year. Of the organizations monitored from the beginning of the year through the end of June, only the Cedok Interhotels recorded an increase in retail turnover (by 56.4 percent). The physical volume of retail turnover in selected commercial enterprises employing more than 100 employees was lower by 44.4 percent during the first half, in comparison with the same period of last year.

### **Industry**

Overall industrial production (including small enterprises and the private sector) declined in the period January through May (excluding the influence of prices) by 13.7 percent in comparison to the same period of last

year. Included in this decline was a 14.5-percent decline reported by industrial enterprises employing more than 100 employees.

In June, it is estimated that overall industrial production was lower by 32.3 percent in comparison with the same month of last year; production in enterprises employing more than 100 employees showed a June decline of production of more than 33.1 percent.

During the first half of 1991, overall industrial production declined by 16.8 percent in comparison with the first half of last year. The greatest production decline occurred in the ready-to-wear industry (by 36.7 percent), in nonferrous metallurgy (by 30.8 percent). Increases were reported only in the fuels industry (by 2.4 percent).

### Construction Industry

Overall construction production (including small enterprises and the private sector) was estimated to be lower by 24.2 percent in the period January through May of this year in comparison to the same period of last year. The decline in the volume of construction work performed in accordance with supplier contracts by enterprises employing more than 100 employees (as determined by reports) amounted to 30 percent in the period January through May, and included a 27.3-percent decline in the Czech Republic and a 34.5-percent decline in the Slovak Republic. The decline in the volume of construction work was reflected in all areas of construction production, but more specifically with respect to repair and other work, rather than in new construction.

According to a preliminary estimate, overall construction production declined by 26.3 percent in the first half of this year, in comparison with the same period of 1990; construction work performed in accordance with supplier contracts by construction enterprises employing more than 100 employees declined by 36.6 percent during the first half (in the Czech Republic, the decline amounted to 32.8 percent, in the Slovak Republic, the decline was 42.8 percent).

The number of employees in construction enterprises employing more than 100 employees amounted to 396,600 in the period January through June and, in comparison with the period January through June of last year, declined by 74,100 individuals, that is to say, by 15.7 percent. In the Czech Republic, the number of workers during that period declined by 14.9 percent, and in the Slovak Republic, by 17 percent. Productivity, calculated on the basis of the volume of construction work accomplished in accordance with supplier contracts in enterprises employing more than 100 employees, declined by 24.8 percent during the first six months of this year, in comparison with the period January through June of last year; in the Czech Republic, productivity declined by 21.1 percent, in the Slovak Republic, by 31.1 percent.

### Freight Transportation

In June, the decline in the volume of freight transported continued. From the beginning of the year through the end of June 1991, public railroad transportation moved 103.1 million tons of goods, that is to say, 20.8 percent less than in the period January through June 1990. River transportation accounted for 4.2 million tons of goods, that is to say, 23.4 percent less than during the same period of last year. The decline in the shipment of goods was influenced by the lower demands placed on shippers as a result of a decline in the volume of industrial and construction production. Loadings of all principal types of bulk cargoes declined. Average daily loadings, expressed in freight car units, declined by 22.4 percent from the beginning of the year through the end of June; the average freight car turnaround time, expressed in days, was prolonged by 3.4 percent.

### Unions, Government Disagree on Minimum Wage

91CH0752C Prague HOSPODARSKE NOVINY  
in Czech 17 Jun 91 pp 1-2

[Article by jop: "Maximum Disputes Surrounding the Minimum Wage—Report From the Session of the Council of Economic and Social Accord of the CSFR"]

[Text] Fundamental disagreements regarding questions of the minimum wage, the regulation of wage development, and the wage law were not successfully resolved, even at yesterday's session of the tripartite council of the CSFR in Prague. The hitherto deepest dispute between the trade unions, employers, and the government, once more ended without a decision being made.

During the negotiations, the trade unionists insisted on raising the minimum wage from 2,000 Czech korunas [Kcs] to Kcs2,200, as outlined in the General Agreement. The federal government insisted on retaining the limit at Kcs2,000. HOSPODARSKE NOVINY first asked Ivan Kocarnik, deputy minister of finance, to explain the government's position: "The federal government bases its stand on the fact that raising the minimum wage to Kcs2,000 was already a mistake. The minimum wage is not a good economic instrument. From a certain standpoint, it is the same as if we would try to set the maximum wage. This has an effect on unemployment—for example, if a graduate of a middle school or a journeyman worker performs work worth Kcs1,600, an entrepreneur would not hire him. It has a further effect on the deformation of natural wage relationships, the value of work is determined by the marketplace, by the entrepreneur; any kind of incursion from above is a mistake. Moreover, it is a signal which indicates that value magnitudes are shifting upward, with all their retarding consequences."

Vladimir Zizka from the Czechoslovak Trade Union Confederation (KOS) clarified the reasons for the trade union attitude for HOSPODARSKE NOVINY: "The government does not want to take a stand on the argumentation that, at the present time, enormous

increases in the cost of living are occurring. On the contrary, it argues that by raising the minimum wage, an equalization of wages would result and inflation would be unleashed. But in materials regarding the economic situation for the first quarter of the year, the government clearly states that wage policy is in no way a motive force which unleashes the inflationary spiral. Employers are already giving guarantees today that the minimum wage will be a reward for performing work and not a social payment, and that is a turnaround. In my opinion, the federal government need have no fears that the minimum wage would be a social payment. On the other hand, the size of the minimum wage is one of the factors taken into account by people in deciding whether they will work or not. If they tell themselves that they will be receiving Kcs1,540 in support payments and if the minimum wage is Kcs2,000, it will be worthwhile for them not to work. So we already see the formation of a social stratum which we would not like to have here. In our view, the federal government has no arguments at hand indicating that the minimum wage would unleash inflation and would level wages." Different positions will be presented in writing for discussion to the Government of the CSFR, which will make the final decision.

Another point in the tripartite negotiations was the proposal to modify the regulation of wages. Even here, there was no agreement. Neither trade unionists nor employers agreed with the proposal of the federal government to cease regulating wages in the private sector and in mixed enterprises with more than 30 percent foreign capital participation. Ivan Kocarnik said that it is honest to admit that the system of regulation, which does not take output into account, is bad. Of course, state enterprises "go on merrily" even in the face of declining production, something which stimulates inflationary tendencies. We need revitalization of demand, but it should be noninflationary demand, which is valid for private entrepreneurs (in contrast to state enterprises, a private entrepreneur will go bankrupt if faced with a noncritical increase in wages).

The trade unionists categorically favored unified rules for the state as well as for the private sector, in other words, "either rescind regulation altogether or leave it alone in its present image." On this topic, Vladimír Dlouhý, federal minister of economics, noted that because complete liberalization of the wage system is not possible, the trade unions and employers are actually "pressing" the government to retain full regulation. The trade unionists responded by saying that the private sector is far from being immune to inflationary wage increases and that the negative impact of regulation is far greater than if wages were completely liberalized. They also complained that they have no documentation regarding wage developments in enterprises or pertaining to possible violations of rules and regulations.

After Petr Miller, minister of labor and social affairs for the CSFR, once more asked for written positions from the disputing sides, a discussion developed concerning

the place and importance of the tripartite council in the legislative process, when trade unionists refused to establish a sort of advisory organ of the government, together with employers, which lacked any major significance. This discussion also influenced the negotiations regarding an additional point—the proposal of a law on wages, which is supposed to be effective on 1 January 1992. In the end, it was decided that representatives of the government, of the trade unions, and of the employers should meet on Friday, when the government position on discussing the problems would already be known, as demanded by the trade unionists.

A proposal of principles to protect consumers was justified by Kvetoslava Korinková, minister for control of the CSFR. She stated that the material involved is the first more completed attempt to formulate a state policy for protecting consumers and involves the processing of certain principles of a quality policy. She requested the cooperation of the trade unions and of the employers in establishing independent institutions to oversee the rights of consumers. She noted that extensive cooperation in this regard was ongoing with international organizations, including the European Community. Of course, more rapid progress complicates the harmonizing of principles with changing legal standards, for example, the artisan and tradesman's code.

**Two-Year Investor Tax Vacation Viewed by Dyba**  
*91CH0752B Prague HOSPODARSKE NOVINY*  
*in Czech 11 Jul 91 pp 1, 3*

[Interview with K. Dyba, minister for economic policy and development of the Czech Republic, by Blanka Ruzicková; place and date not given: "Two Years of (Tax) Vacation—Foreign as Well as Domestic Investors Must Have Identical Conditions"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The need for foreign investments continues to be substantially higher than their influx. We discussed factors which impede the entry of foreign capital to Czech and Moravian enterprises and privatization with K. Dyba, minister for economic policy and development of the Czech Republic.

[Dyba] The main condition for the rapid increase in the availability of foreign capital is undoubtedly political stability. In this regard, Czechoslovakia has thus far not distinguished itself a great deal. However, the situation is not so bad by far as it is being presented by some communications media. These would frequently make it appear that the disintegration of the federation is at hand or that, at the very least, disputes will drag on for a number of years. However, developments are not as dramatic as that and it is possible that this can be explained to many a foreign investor.

[Ruzicková] What is it that foreign interests want to hear?

[Dyba] Apart from the political situation, they are primarily interested in the stability of economic development. We are convincing them that the present course of the reform has, in fact, not specifically deviated from our anticipations. At least not qualitatively. Although there are some quantitative deviations, economic policy can react to them with flexibility.

[Ruzickova] React?

[Dyba] For example, some sales taxes have been modified recently and the sales crisis in agriculture has also been solved. The legal framework for the most important task which confronts us in the coming months—privatization—has been created. Of course, it cannot be said that everything is operating smoothly. For example, a proposal for the rules for the creation of a fund for national property, which was already supposed to begin fulfilling its function, has hitherto not been approved. Similarly, a sample privatization project has also not been published for a long time. And finally, now that we already have relatively good laws, there is the problem of implementing them. Managers are afraid to make decisions.

[Ruzickova] Let us return to the subject of foreign capital. Is its interest in the CSFR not declining?

[Dyba] Something like this is very difficult to clearly form a judgment on in six short months. If the hesitation on the part of foreign investors has increased, this could also be a reflection of instability regarding the situation in the USSR. Without a doubt, the value of enterprises in this country is dependent upon developments occurring in that neighbor of ours. However, we are even encountering a desperate lack of information regarding the progress of reform in Czechoslovakia.

[Ruzickova] Foreign investors point out the incomparability of conditions, for example, in Hungary or elsewhere, even in advanced countries. They refer to tax advantages, etc.

[Dyba] I do not believe that Czechoslovakia will be affecting any changes in this regard in the near future. The intentions of the government remain the same: foreign as well as domestic investors must operate under identical conditions. So that, for the present, it is possible to continue to speak only of "two-year tax vacations" and other relief measures, which can be granted within the framework of legal provisions.

[Ruzickova] A key point for the increase of foreign capital is surely privatization....

[Dyba] The clarification of property relationships involving individual enterprises, which is closely connected with privatization, will undoubtedly lead to the acceleration of the availability of foreign capital. From the standpoint of privatization policy, even negotiations which have been initiated must continue in this spirit. On the other hand, however, it is not possible to give preferential treatment to the influx of foreign capital

over, for example, the coupon method. Here, the approach should be balanced.

In the year 2000, according to my estimation, foreign capital should be owning about 30 to 40 percent of the securities of Czechoslovak enterprises. However, I hope that by then, Czechoslovak capital will also have a certain amount of property abroad.

[Ruzickova] You emphasize domestic capital. What do you say about the sale of the Rakona Enterprise at Rakovnik?

[Dyba] I do not believe that this is in conflict with the approach which I am defending, that is to say, with a balanced approach to privatization by selling to domestic as well as foreign entrepreneurs.

[Ruzickova] Will additional enterprises not be similarly sold "at a disadvantage" only because they are debt-ridden as a result of past activities?

[Dyba] I do not believe that it is necessary to rid all enterprises of debt before they amalgamate with foreign capital. We must anticipate that, as a result of their obligations, they will be sold at a lower price. This is a matter of individual agreements. It is necessary to realize that our state does not have the resources required for accomplishing across-the-board debt relief.

### **Commercial Bank Chairman Views Retail Banking**

*91CH0749D Prague SVET HOSPODARSTVI in Czech  
21 Jun 91 pp 1, 3*

[Interview with Richard Salzmann, director general of the Bank of Commerce, by Karel Machala; place and date not given: "We Want To Finance Promising Projects"]

[Text] [Machala] The Bank of Commerce is a monetary institution with an extremely broad spectrum of activities. What are your views and your plans with respect to the direction the bank should be taking? Will its "universality" be retained or will it become more oriented in the future to a certain type of service or toward certain clients?

[Salzmann] We do have a natural program to remain the leading universal bank. In every country, there are always one, two, or three such large banks which handle the principal work of the banking industry, that is to say, they cover the entire area with their network of branches, they provide the "heavy" banking services such as payments contacts, accounting, and cashier operations, functions which a number of smaller banks do not wish to undertake and, rather, rely on the fact that the larger banks will perform these functions for them. That is our future; we will undertake these services even to a greater extent than has been the case up to now. Thus far, in the spirit of inheriting these functions from the State Bank, we did not have a whole lot in common with the citizens,

with the exception of running money exchange offices. But now we are fully including into our program so-called retail banking, that is to say, small-scale banking activities, which we intend to expand across the area of the Czech Republic and in the Slovak Republic and, possibly, even in neighboring countries.

[Machala] How will expansion abroad look?

[Salzmann] This is music of the future; first, we must clarify as to whether it will be worthwhile at all, but we already have indications that banks in surrounding countries have a great deal of interest in live commercial and civic contact in border areas and are trying to get us to simplify conditions there for mutual contact. Banks from surrounding countries, particularly from Austria and Germany, are interested in establishing their branch offices in our border regions. We shall undoubtedly be interested in establishing similar branches in their border areas, like a mirror image, at some time in the future. But, at this point in time, this is more in the nature of something in the future.

[Machala] The bank's share in the money market is relatively high. The volume of credits and deposits, however, declined last year. Will this trend continue or do you have the intention of maintaining your share in the market?

[Salzmann] We lowered our share in the credit flow this February—we lowered our credit balance by an entire third. We transferred these credit balances to the newly created Consolidation Bank. This was an operation which made it possible for our bank to transfer to this newly created bank those credits which we, in fact, inherited in the past from the State Bank. These were so-called credits for constantly rotating inventories; in other words, it could be said that they were noncredits because they involved a sort of hidden capital participation by the state which absolutely does not fit into our credit portfolio. That is why we welcomed the decision by the Ministry of Finance, according to which these credits would be concentrated in a newly created bank, where they will be recorded in a transparent manner so that anyone can have access to the data. We helped to organize this transfer, we carried it out on an accounting basis, and this then resulted in purging our balance sheets of these amounts. These credits at the Consolidation Bank are now awaiting their definitive solution on the basis of gradual long-term payments or possibly as a result of debt elimination as a result of privatization. This is also advantageous for enterprises because they are able to obtain these credits at lower interest rates compared to the rates if we granted the credits and they, at the same time, even have longer repayment schedules.

[Machala] Real interest rates in Czechoslovakia, be they those paid on deposits or charged for loans, are on the negative side, which could have a certain inflationary

impetus. It is advantageous to borrow, but disadvantageous to save. Nevertheless, the enterprises are complaining that credits are entirely too expensive. How do you view this problem?

[Salzmann] We tend to view this problem more from the standpoint of long-term development. Interest rates are not completely our problem. We find ourselves between a rock and a hard place. On the one side, there is the discount rate of the State Bank and on the other are the maximum rates permitted for credits while for now the rates paid on deposits have not been stipulated. Today, we are in a situation where the savings institutions, but we, too, are paying high interest rates on deposits—that is to say, under our conditions and in comparison with the past. However, despite this factor, these rates are not active, in other words, they are not on the plus side in view of the reigning inflation. But we are convinced—(at the bank and clearly also in the State Bank, and that is why interest rate policies are handled this way)—that the rapid pace of inflation which began at the beginning of the year will be substantially mitigated during the course of this year. And to permit interest rates on deposits to rise to some 30 percent or, say, 35 percent, at which point a positive deposit rate might show up, would create a situation from which we would have extreme difficulty backing out later, after the tempo of inflation abates. Meanwhile, it has been shown that the citizens have withstood the inflationary pressures and that the growth of savings deposits has resumed. Things were iffy in January, but now, when we are approaching the halfway mark in the year, we see that although the growth in the pace of savings deposits has not come up to its previous level, at least the decline in savings deposits has stopped.

[Machala] The most recent provisions by the Czechoslovak State Bank lowered the span of the discount rate to 12 percent, that is to say, the maximum interest rate on credits is 22 percent. The Bank of Commerce reacted to this provision by setting its maximum interest rate on credits at 21.5 percent. Does this provision not restrict the maneuvering room for a selective approach to clients with varying financial reliability? Or do you believe that this room continues to be sufficiently broad?

[Salzmann] In our opinion, this room is adequately broad. By dropping our interest rate another .5 percent below the maximum rate, we wanted to show our clients that the approach of our bank is a positive one. We want to use this step to indicate that we have no intention of exploiting this situation disproportionately, we wish to show that we are offering enterprises somewhat cheaper interest rates on credits than we could charge if we made full use of this span. If other banks were to follow us, this would be a start for something which is actually anticipated in the long run, namely that the mutual underbidding of bank interest rates would gradually lower the credit span. This is almost a nonbusiness view because we should really be striving for the maximum possible profit. On the other hand, however, we would need this profit because we have very little capitalization (from the past) and we are in need of augmenting our own capital.

So that we need profit urgently. We also need it to be able to afford longer-term credits, to be able to commit capital deposits to the economy, something which we cannot do now, because we have so little of our own capital that we cannot use it for those purposes.

[Machala] Do some kind of more detailed notions exist regarding the method by which the Bank of Commerce is to be privatized? At what stage is the privatization project now?

[Salzmann] The privatization project for our bank is in its infancy. As is well-known, we are members of the "founder's holding" of the Czechoslovak State Bank, which is our founder. In a certain way, the Czechoslovak State Bank is guiding the privatization process. In the same spirit in which the State Bank is guiding this process, we have only just begun taking privatization steps, even though I must say that industrious Western firms, which handle privatization, have already made us a number of offers as to how we should be privatized. We have it in mind to advance our own privatization more to a later time frame, into the second or subsequent wave. This is mainly because our foreign partners continue to perceive this bank as a bank which belongs to the state, and this fact, surprisingly, raises the confidence of foreign banks.

A bank as large as ours, however, would never escape from the grasp of the state anyway. Even the largest banks, particularly in Europe, are in the hands of the state to a certain extent.

[Machala] The credit limits stipulated by the central bank do restrict the volume of credits which the bank can grant. However, not even this volume was drawn down by the enterprise sphere. Is it because enterprises often present uncertain or unfinanceable projects or that the bank does not have confidence in the solvency of many potential debtors?

[Salzmann] Credit limits must be viewed from a certain distance. They were used by the State Bank at the beginning of the year as a security measure against possible excesses on the part of commercial banks. Gradually, the State Bank is saying more clearly and with more frequency that these are orientational indicators and not directives and we essentially have the freedom today of exceeding the limit provided we have objects and projects at our disposal which are reliably worth financing. Currently, both of the above factors are in palpable short supply. There is a shortage of short-term as well as long-term resources and the State Bank insists, and rightly so, that more than a specifically permitted percentage of short-term resources may not be used to cover long-term requirements. Yet it is precisely the medium- and long-term credits which are in the greatest demand and they are, for the most part, not backed up by sensible, returnable, and efficient projects. We are refusing to provide credits merely to cover a shortage of

funds, because that is no solution for anything and we are threatened by a loss. Nevertheless, our bank is fully utilizing its credit limit.

[Machala] The Bank of Commerce has a good base for its activity in its many quality specialists. In recent days, however, some of them are leaving, both to join the government and also to join foreign monetary institutions. Does this not mean a palpable weakening for the bank?

[Salzmann] Of course it means that. Any person who has been educated here and who has obtained a certain amount of experience over many years here is virtually irreplaceable. But on the other hand, this is a process which it is virtually impossible to prevent. Qualification as a banker, despite the fact that we are far from being able to call ourselves bankers with knowledge which is at the level of Europe and the world and yet the 40 years of it have left their mark—under local conditions, is highly valued. Various institutions, ranging from the government through foreign representations, have an enormous interest in bankers. I must say that we are keeping our employees in our bank more by trying to create various supplemental advantages for them than by being able to keep them on the basis of their salaries. Of course, our foreign competitors are able to offer incomparably more tempting payment conditions, from the lowest grade employee to the director general level. So that to the extent to which people remain at our bank—and I am happy to tell you that they are remaining—then this is so because they have a feeling of compatibility with the bank as well as because they now see some prospects for the future, they sense that the banking sector is a sector which is expanding while others are shrinking; the banking sector is not experiencing any layoffs, but rather the opposite. Our bank began last year with 7,500 employees and we now have virtually 10,000. We shall continue along this road; we are expanding the bank by adding branch offices, by moving them to small towns and larger villages, so that all this creates a certain amount of counterbalance to those tempting offers by foreign firms, some of which are, naturally, accepted by some people.

#### **Assistance for Small and Medium-Sized Businesses**

*91CH0749C Prague SVET HOSPODARSTVI in Czech  
14 Jun 91 pp 5-6*

[Article by Iz: "A Chance for Small and Medium-Sized Business Enterprises"—first paragraph is SVET HOSPODARSTVI introduction]

[Text] For small and medium-sized enterprises and for beginning entrepreneurs, an interesting opportunity to obtain financial support is offering itself. These are resources from the state budget which are administered by the Ministry for Economic Policy and Development of the Czech Republic. These resources are specifically intended for the "Program To Support the Development

of Industrial Production in the Czech Republic," which is focused with priority on supporting the origination and development of small and medium-sized enterprises engaged in industrial production.

Entrepreneurs who engage in this type of production and register for the program with the goal of obtaining financial resources must fulfill certain stipulated conditions. In principle, the program has to do with introducing new types of production and expanding existing types of production. It does not stipulate any one branch of industry or discipline and the sole condition is that the program will support industrial production (according to statistical classification) which has a material output. To qualify for the program selection proceedings, it is then adequate if the facility fulfills at least one of the stipulated criteria in comparison with the original status or with the status which is customary for the CSFR. A project which fulfills several criteria, of course, has a greater chance of being included in the program. For purposes of selecting projects, a multicriteria evaluation is used which compares any contributions and costs. Furthermore, technical expert proceedings are used to evaluate the technical level of the project; the guarantee of sales is evaluated by a marketing study.

The program is supportive in character because it assumes that the applicant will assure the majority of the necessary financial resources himself; a smaller portion will be provided to him from program resources.

If the applicant is granted support, a contract will be concluded in which the applicant will stipulate the method by which he will fulfill criteria—these must involve specific and verifiable indicators. Financial resources will then be made available to him in a special account at the bank, with the proviso that they can be used only in the realization of the specific project. In the event the terms of the contract are not honored, the entrepreneur must figure on returning the funds and, in extreme cases, must pay a high interest rate.

The program is conceived as an open program; it is possible to register for the program on a continuous basis, the books are balanced quarterly. The next closing of the books will occur on 30 June 1991, the subsequent one on 30 September 1991. The program will continue next year as well and the announcement of additional programs is anticipated.

The abbreviated text of the program appears below:

### 1. Program Characteristics

The goal of the program is to create advantageous conditions for the rapid introduction of promising productions and the development of progressive technologies in the area of entrepreneurial activities having an industrial character.

The program is realized through projects proposed by entrepreneurial entities. Projects are incorporated in the program on the basis of selection proceedings, that is to

say, the entitlement for state support is not automatic as a result of the fulfillment of principal criteria, but also depends on the quantity and level of other projects and the volume of resources at the disposal of the program.

The Ministry for Economic Policy and Development of the Czech Republic is the guarantor and coordinator for the program.

### 2. Conditions for Joining the Program

An application for including a project in the program may be submitted by any entrepreneurial entity, active on the territory of the Czech Republic. The program is primarily intended to support small and medium-sized enterprises and new private entrepreneurial activities.

Advantages will not be accorded, as a matter of principle, to applicants for whom possible state support is economically insubstantial in comparison with their property and incomes.

### Program Criteria

The program supports rationalization, modernization, innovation, and investment projects or possibly other projects which meet some of the following criteria:

- A lowering of energy and material requirements.
- Better utilization of domestic raw material resources, including secondary raw materials.
- Increasing export efficiency and competitiveness of the production involved.

Other criteria, particularly the following, also have a supportive character with respect to the selection of projects for the program:

- The creation of new job opportunities.
- Ecologic contributions.

State support is intended primarily to create more advantageous conditions, to speed up realization of projects. In view of the supportive and accelerative character of the program, predominant financial participation on the part of the applicant in financing the project is a condition for accepting the project into the program.

A condition for including the project in the program in addition to fulfilling the principal criteria as well as the actual profitability of the project is the assurance that realization of the project will not aggravate the environment.

### 3. Advantages of Program Participation

Support for financing selected projects is assured through the following economic instruments:

#### a) Returnable Financial Loan

To realize selected projects, the program will assure entrepreneurial entities an interest-free loan which is repayable in a maximum of three years.

b) Nonreturnable Financial Contribution

For the realization of selected projects of extraordinary significance, the program will assure entrepreneurial entities a financial contribution not to exceed 20 percent of the costs, on an exceptional basis.

c) Contribution To Defray Costs of Bank Loans

For purposes of realizing selected projects, the program assures entrepreneurial entities:

- A financial contribution up to the full value of the interest on a credit to realize a project.
- Deferment of payments to be made on a credit to realize a project in the form of repayable financial assistance for a period of one to three years.

d) Tax Relief

The program will provide entrepreneurial entities with tax relief for the initial phase of realization pertaining to selected projects.

e) State Guarantees for Bank Credits

A program will provide guarantees to entrepreneurial entities for purposes of realizing selected projects with regard to credits up to 70 percent of the value of the project. The guarantees will be afforded to entrepreneurial entities which do not have their own guarantees for highly efficient projects.

Note: In 1991, the economic instruments listed under a) and b) above are available for financing selected projects.

4. Time Limitations for the Program

The program to support projects is applicable for projects whose realization will be initiated beginning in 1991. The possible termination of the program or the announcement of new or subsequent programs will be made on a timely basis.

5. Organizational Support

Those interested in participation in the program shall file an application according to a sample which can be obtained by writing to the following address:

Ministry for Economic Policy and Development of the Czech Republic  
Department for Industrial and Structural Policy  
SNB Boulevard 65 101 60  
Prague 10, Vrsovice.

The completed application is to be submitted at that same address.

Proposed projects will be judged from the standpoint of meeting the principal program criteria, the importance of the project, and the realistic nature of entrepreneurial intentions.

One month following the submission of the application, the applicant will be informed of the position taken by the Ministry for Economic Policy and Development of the Czech Republic and of the status of his application. If the decision is positive, the project will be transferred to a narrower selection process.

In the event the project is accepted into the program, the Ministry for Economic Policy and Development of the Czech Republic will conclude a contract with the applicant regarding participation in the program.

Insolvencies Discussed in Seminar

91CH0749B Prague SVET HOSPODARSTVI in Czech  
14 Jun 91 p 3

[Unattributed article: "On Insolvencies"—first paragraph is SVET HOSPODARSTVI introduction]

[Text] At a seminar organized by the INTERMEDIA agency, the director of the appropriate department at the Federal Ministry of Finance, Docent Eng. Vladimir Novotny, candidate of sciences, presented interesting information regarding insolvency. We present an excerpt from his speech:

Insolvency is not a completely new manifestation. It already occurred to a major extent in 1987 and in 1988 when the enterprises were forced to cover their excessive inventories from their own resources. The current wave of insolvency came into being last year. During 1990, insolvencies rose from 7.1 billion Czech korunas [Kcs] to Kcs53.5 billion and, in January of this year, they even rose to Kcs77.6 billion. Of the total volume of insolvencies, organizations in the Czech Republic account for 74.7 percent, those in the Slovak Republic account for 25.3 percent. As far as branches of the economy are concerned, the primary role in this regard is played by organizations in the engineering industry and in electro-technology.

Insolvency is only a certain element of the so-called liquidity of enterprises. Every enterprise should monitor not only the magnitude of its profits, but also the availability of resources which can be applied in payment of obligations. Currently, this area includes cash (and other forms of rapidly mobilizable money), realizable finished products, and possibly unfinished production (but only for enterprises with short production processes).

Views regarding insolvency range between two extremes—one extreme endeavors to place the entire blame on the enterprises and the second tends to blame restrictive fiscal and credit policy. Neither extreme is completely correct. Because restrictive policies were the subject of criticism, alleging that they resulted in forcing enterprises to become insolvent, let us list some pertinent data: The creation of profit for 1990 increased by 9 percent overall. Available profit (after taxes) rose by more than 9 percent during the course of last year. Write-offs rose by 3.5 percent and available write-offs

even rose by 16 percent (because levies based on write-offs were substantially rescinded). Liquid profits and liquid write-offs increased by 14 percent, whereas the formation of national income declined last year by 4 percent.

The lower tax burden resulted in more resources being permitted to flow into the economy. If we add to this the restriction of subsidies, then the total of liquid resources declined by about 4 percent. So that the restrictive moment turned up with respect to subsidies rather than with respect to levies on profit or write-offs. Moreover, analyses indicate that enterprises utilized their past resources, because their deposits declined by Kcs20 billion. Moreover, they received new credits. Thus, the demand by enterprises rose by a total of 27 percent; if we adjust for deflation, it could amount to 20 percent. From this, we can see that there are no reasons to wring our hands over restriction. Last year, inventories rose sharply (the increase was three times that of 1989) and investments also rose sharply (by 14 percent more than available liquid resources).

Now, let us look at a few numbers for 1991. In comparison with 1990, profits rose to a level of 322 percent in January and February for production organizations and 295 percent for commercial organizations. Because profits taxes were reduced to 55 percent (for agricultural organizations, to 50 percent), disposable profits increased to a level of 920 percent of the volume recorded for the same period of 1990, write-offs increased by 11 percent, and subsidies by 63 percent. During January and February, disposable resources increased to a level of 283 percent. This is an outright inflationary development. In March, these extremes were beginning to weaken. For the period January, February, March, profit increases compared to the same period of 1990 were no longer at levels of 322 percent, but "only" 266 percent for production organizations, disposable liquid profits no longer grew by 920 percent, but "only" by 314 percent, and total disposable liquid resources increased by 91 percent. Here, we can speak of a restrained restrictive policy.

Insolvency can be caused by high inventories, unrestrained investment, a decline in the creation of resources (increases in costs or difficulty involving sales), bad goodwill with banks, secondary insolvency (I do not pay because no one pays me). Insolvency is influenced not only by the prices of inputs (which is logical), but also of outputs. All enterprises involved made excuses to the effect that they have to raise prices because there was a devaluation and because the prices of inputs from suppliers rose. All of this is understandable. But only a minor matter is not understandable—the enterprises were able to increase their profitability substantially by raising prices. This is a graphic example of the failure to understand the market mechanism. In a market economy, the enterprise must always start out from a consideration of what kind of price the market can stand and must subordinate its profitability to that factor. (In the production of frozen foods, profits were even

increased to a level of 1,770 percent, in the metal-working industry, they rose to a level of 560 percent, and in the building materials industry to a level of 513 percent).

The principal factor in insolvencies in the year 1991 is the sales crisis. What is it caused by? It could be caused by the fact that a monetary deflationary policy was being pursued—that is to say, if banks were to tighten credits to such an extent as to cause a money shortage in the economy, as a result of which it is necessary to lower prices and a whole number of enterprises would find themselves in a money-losing position. The question is whether such a situation existed in this country? Definitely not, if we consider a price decline to be deflationary. On the contrary, there was a sharp rise in prices.

### Labor, Welfare Minister on Social Issues

91CH0749A Prague KVETY in Czech 4 Jul 91 pp 20-21

[Interview with Petr Miller, minister of labor and social welfare, by Ivana Hudcova; place and date not given: "Pensioners Cannot Complain"—first paragraph is KVETY introduction]

[Text] Invitations to visit the editorial offices of the weekly KVETY have already been accepted by Ministers Tomas Sokol and Tomas Jezek. As a third, Petr Miller promised to participate. However, he had to change his program at the last moment twice already and had to decline. In the end, we went to visit him. In the interest of retaining at least a part of the originally intended roundtable discussion, six of us set out to visit him and, at the ministry, we were considered to be a "delegation" and a group of "Texas women," although precisely half of us were men. Despite the assurance that "I have only 15 minutes!" in the end the minister responded to our questions for virtually one hour.

[Hudcova] At the present time, we are short of money on perhaps all fronts. In any event, however, money should reach those who are the most powerless, which are primarily the older people and people with various disabilities.

[Miller] Pensioners cannot complain. We are conducting a very good pension policy. There are critical letters from pensioners, but we receive many more letters which contain praise. After all, in the time we have been in office, the third increase in pensions has already occurred. The problem is that, for the time being, we are paying everybody alike, we are solving the problem across the board. We would need to create a much larger team of individuals than that which we have, which could manage to deal individually with all cases so that we could aim assistance only in the direction where it is really needed. It is customary throughout the world for appropriate offices to employ one employee per 100 needed persons. The investigation of every case, checking whether the individual is truly needy or not, takes two hours. If, under current conditions, we would like to support all those whom we assume would fall

beneath the limits of social need—some one and a half million individuals—we would require approximately two years to do so.

[Hudcova] It is truly unjust if the same equalizing contribution is paid to a retiree who has a pension of 3,000 Czech korunas [Kcs] and one who has a pension of Kcs1,500.

[Miller] In our country, approximately 1 to 1.5 percent of the people have pensions in excess of Kcs3,000—in other words, a negligible number. When we rescinded personal pensions, this was an increase equal to about Kcs20 per individual.

[Hudcova] When, some time ago, we were demanding the rescinding of personal pensions, we forgot that this applied not only to party officials, but, quite frequently, also to people who were truly deserving, such as, for example, Professor Svejcar and many others.

[Miller] We intend that the merits of such people be rewarded through the form of a so-called presidential gift. Because I am familiar with the goodness of Vaclav Havel, who would like to give away everything right away, I proposed that the Federal Assembly give its approval. The gift can be a one-time gift or a repeated gift, like a portion of the pension. The fact that it will be subject to control by the public makes it impossible for it to grow to some kind of disproportionate extent, as was the case in the past. And, at the same time, the law which prohibits personal pensions will not be violated.

[Hudcova] What about disabled citizens?

[Miller] I will not speak of tax relief and similar matters which fall under the jurisdiction of the Ministry of Finance. We want to establish a certain percentage of people whose capability to perform work has changed and whom every enterprise should employ—something which it is even possible to order by decree. The case of the mentally disabled is more complicated; for them, it will be necessary to create so-called protected work sites.

[Hudcova] And families with children?

[Miller] With the exception of increasing childbirth payments, which I consider to be the absolute minimum, we have, thus far, not done much for them. We would like to solve this problem through the vehicle of a state equalization contribution, although this is not an ideal solution. It is, of course, nonsense to pay this amount also to families where both partners are earning, say, 6,000 or 7,000 a month, but, much the same as with pensioners, we do not yet know how to separate these payments. Once again, the only solution lies in increasing the number of employees at social welfare offices. We would kill more flies with one blow there: For one, we would partially solve unemployment for graduates of middle and advanced schools, for another, the appropriate resources would reach those people who are really needy. Furthermore, we would save approximately Kcs2 billion, even if half of that would be required to pay

the salaries for expanding the team at social welfare offices. The minister of finance, it would seem, is inclined to do this. I know that our policy with regard to young families seems ruthless and hard, but we have not found the correct specific system to help them for the time being.

[Hudcova] Those who complain a lot about their situation are single mothers. If the father of their child is in a tough situation, be it for reasons of unemployment, illness, etc., and is not paying alimony, there is no method by which they can exact payment. Could not the state take over alimony obligations in such cases?

[Miller] If you pose this question to any kind of financial expert, he would respond that, after all, this is a situation which was brought about by these people themselves. Society cannot be responsible for decisions made within the framework of a family. This responsibility is primarily that of the parents, at the time they decided to have children.

[Hudcova] There has been a proposal for special loans to single mothers. Of course, the banks will not loan them any money.

[Miller] This was discussed at the republic level with the provision that the moment the father becomes solvent they would begin deducting his loan. We are in the process of preparing a law on the minimum living standard, which should be the starting point for single mothers. The law will stipulate a minimum below which it will not be possible to fall. Each republic will then stipulate the necessary superstructure on its own and in accordance with the requirements of its region. By this, I wish to say that it is possible that while in one region the minimum living standard may be, say, set at Kcs1,500, in another it might well be Kcs1,800. It is not possible to set the minimum standard across the board. And there you have yet another reason why we need a greater number of welfare employees.

[Hudcova] How do they solve these matters abroad?

[Miller] There are various methods, but nowhere are they based only on the consumer basket, as our trade unions are asserting. Always, several viewpoints at once are taken into account and, primarily, the status of wages in each country, the level of social incomes, etc. There are two methods which can be used: the absolute and the relative method. They are not sharply different from each other and one method incorporates the elements of the second method.

[Hudcova] Are your relations with the trade unions good and how do you regard the new Henes unions?

[Miller] My relationships with the trade unions are excellent, but it is as though we knew nothing for the time being about the Heneses. For them to be participants in the tripartite negotiations, they would have to prevail in the negotiations within the trade union framework. As to who will represent the trade unions in the

tripartite negotiations, neither the government nor the ministry can intervene in any way.

[Hudcova] Can you tell us your personal view regarding the problem of retirement?

[Miller] This year, I shall be 50 years old. I never shirked work and, for a number of years, I actually worked very hard operating a power hammer. The other day, at the Association of Railroad Workers, one fellow attacked me and said that I was arrogant for claiming that I am 50 years old and that I could do 50 deep knee bends. He said that he was approximately the same age and was practically finished as far as health is concerned. I believe that he was a railroad yard shunter. I asked him: Do you smoke? He said, I smoke. Are you in the habit of going to the pub? I am. And so forth.... I never did that, and from the time I was a young man I have been very active in sports. Everything has to do with the overall approach to life. There are people who have been in the mines for 40 years and whose health has not been devastated; on the other hand, there are others whose health is ruined after only 10 years. It is not possible to establish a low pension limit only because some people are less resistant with respect to health than others.

[Hudcova] So that at 60 and 65?

[Miller] We are preparing this kind of legislation for the period around the year 2005, with men between the ages of 60 and 65 being given the choice of continuing to work or retiring, so that the transition would be gradual. Women, who earlier were not able to spend three years at home with a child and were drawing a salary—in other words, those who are approximately 42 years old or older, will be able to retire at age 57. We even anticipate the opportunity to retire sooner and to be drawing only part of the pension.

The concept for retirement insurance cannot be prepared in such a way that we would say to ourselves: As of today, we can retire at age 65. These are concepts which are created 30 and 40 years ahead of time. We chose the above variation because the demographic curve is currently very advantageous (in a certain sense, however, it is also unfavorable)—there are many people of productive age; this will undergo considerable change by the year 2005 and there will be few people of productive age then. Who will then be sustaining those who will be in their postproductive years? Currently, unfortunately, unemployment is beginning to grow and the rise in the age limit for retirement is seen as being illogical in its light. However, if we want to join Europe, we should already be adapting even our social system.

[Hudcova] What is the current story of unemployment?

[Miller] It is growing totally precipitously. As of 31 March 1991, we had 189,000 unemployed; now, in mid-May, there are approximately 233,000 unemployed. The worst part is that unemployment is primarily impacting on problem groups—women, disabled citizens, and graduates of basic schools, with the working

class trades being relatively the best off. Currently, we are in a position to support about 300,000 unemployed on the annual average. In Slovakia, however, this number is substantially smaller; there, they have virtually reached the number of unemployed today which should not grow too much larger in order for us to be able to maintain the annual average support payments.

[Hudcova] And your view of the development of the situation in the future?

[Miller] According to one analysis, the national product in this country will decline by 12 to 20 percent. Unemployment would go hand in hand with this development, in other words, we would have 800,900 unemployed. The most catastrophic forecasts speak of 1.2 million unemployed. As I have already said, the resources which we have at our disposal correspond to 300,000 unemployed at the yearly average of payments. I stress the fact that this is an average, whereas the final quantity could amount to 500,600. The largest leap in unemployment will occur in September, with the advent of school graduates into the labor force. The strongest age classes are maturing and if we are successful in absorbing 60 percent of them into the work force, we shall be happy. The greatest problem is the growth of unemployment involving graduates of basic schools. If they find themselves on the street for one or two years, a special social stratum will develop which can carry this woeful experience during its entire life. Not to mention that this status can lead to an increase in criminality.

[Hudcova] In your opinion, when will unemployment peak in our country?

[Miller] Only the dear Lord knows that. It depends on the speed with which individual enterprises come to terms with their problems. We anticipated that a whole lot of people would obtain employment thanks to privatization—something which is not happening. For the time being, some 800,000 people are being private entrepreneurs and only less than 20 percent of them do this as their principal mode of employment. And how many of these 20 percent employ anyone else, that is a question mark.

[Hudcova] Is an overview lacking?

[Miller] Some time ago, we were supposed to say something about the conduct of the private sector in terms of the wage side of the question, but we had to request a deferral because we have no idea what the private sector is producing. We also lack any other concrete data. We will have to tackle this thing jointly with Minister Dlouhy, we will have to first make an analysis of the situation and then take a stand. Before you came, we were called on by West German entrepreneurs and they wanted to know a number of specific facts, they wanted to know where in the private sector they should invest, but no one really knows anything about that. Everything is happening much too quickly. And, in my opinion, anyone who opens up a stand in Rozvadov and sells booze or bottled beer is not a private entrepreneur.

[Hudcova] What about the problem of requalification?

[Miller] Obviously, it is not completely clear in which direction our economy will move, or what kind of structural changes await us. Just take the fact that, by 31 March, when we had 189,000 unemployed, the ministry reported a mere 628 individuals who were engaged in requalifying themselves. Very often, we cite one example. During our trip to France, we were taken to Dou. There used to be large mines there and extraction was gradually reduced. Next door, there was an old Renault factory, and when the mines began to close, people gradually switched over to working in the factory on automatic machine tools. Although they earn a little less, things are not all that bad. There, the structural concept was clear. But, in this country, if we sometimes talk about the fact that in Ostrava there will be a loss of 60,000 jobs, I would search in vain for an answer as to what will happen there next. I cannot pry anything loose from my colleagues. Now, I believe, Minister Klaus has undertaken to make certain change when he proclaimed that it is necessary to support the construction industry. Originally, the region had been left sort of to its own devices because they were reported to know best what they need. But no region can care for 60,000 unemployed by itself. It cannot have the necessary resources.

[Hudcova] Has the situation in Ostrava already been solved somehow?

[Miller] Currently, a group of French experts is in the Ostrava area analyzing the local situation and they should have a statement in about two months as to how they believe structural changes should be undertaken. I believe that sometime, in a certain phase of this project, the state should act as an entrepreneur. For example, the railroads are state-run. If we let them fail, there will be a collapse all over Czechoslovakia. We should support them, at least in the initial phase, while they get their act together a little bit. After all, there are plans according to which a railroad line from north to south is to traverse our territory, as well as a line from west to east. But currently it would seem that everything is coming to a halt at our borders and that they will then bypass us via Poland, Hungary. If international transportation will avoid us, we will even lose jobs, which we will not prove able to create for ourselves. If, however, from the beginning, the state provides assistance, offers guarantees, we shall attract foreign capital to this country. Only I have the impression that the state is, for the present, being very cautious and is attempting not to invest overly much anywhere, but rather wants to accumulate capital.

[Hudcova] Are not these views of yours considered to be antireform views? Are you not in conflict with Minister Klaus?

[Miller] I believe that even he has now reevaluated some of his positions.

[Hudcova] In less well-known areas than the area of Ostrava, let us say in the Walachia region, the question of requalifications will obviously be more complicated in a certain sense.

[Miller] People have needs everywhere. I wish to again cite an example from abroad. In Great Britain, I visited a town by the name of Corby. At one time, they had large metallurgical plants there. When the decision was made that it was no longer profitable to invest in these plants, when it was decided that they are ruining the environment, etc., bulldozers were sent in, they leveled everything, grass was planted, and an infrastructure was established, etc., etc., and the world saw an advertisement which said: To everyone who comes to invest in Corby, we offer specific areas, a labor force which has the following qualifications, advantages for the first year.... Today, you will find very lovely small factories there that produce everything—from candy to perhaps recreational boats. The entire region is virtually self-sufficient. And every region, after all, needs its shoemaker, baker, etc., so that to find work would not be a problem anywhere. However, I forgot to mention the most important thing about Corby: They obtained money for everything from the state. However, we currently do not have any resources which we could make available in this fashion.

[Hudcova] The main problem is that all those foreign models which we admire came into being in an already functioning system, whereas in this country everything is falling apart and is changing at once.

[Miller] I say the same thing, and I say so frequently within the government. Moreover, people in this country are not even prepared psychologically. We speak of the mobility of the work force, of fears of stress, of fears of unemployment, but in the West they have all of this behind them and are psychologically appropriately armed. I know very well that, in this country, it is enough just to exchange a workbench in a factory and the person who is used to the old one will get completely out of bounds. Let alone that he should move somewhere 100 km away to follow a job. In America, it is customary to move thousands of kilometers in pursuit of a job.

[Hudcova] In conclusion, could you admit to us how you voted with regard to that original 20-percent tax which was assessed against the periodical press?

[Miller] You must not be angry with me, but I voted for it. I did not want the state budget to be deprived of these resources. I am always primarily guided by economic considerations. In this connection, I can tell you an anecdote from the time we were discussing what should be included in the consumer basket among those things which are truly essential for everyone. The subject of newspapers even came up and, because the average basket was to be as frugal as possible, I said—one newspaper for everyone. Only some wag got up and said: Gentlemen, we cannot include that because if a person is to read only one newspaper, this is a question of suppressing democracy and a plurality of views is missing.

[Hudcova] And what finally happened in the end?

[Miller] One newspaper remained in the basket, but everyone may choose whichever paper he wants.

**Parliamentary Group Against Monopolies Profiled***91CH0731B Budapest MAGYAR NEMZET  
in Hungarian 10 Jul 91 p 2*

[Article by n.s.: "Monopoly Group Opposes Preservation of Power and Expects Information From the Public"]

[Text] Gyula Zacsek, a member of the Monopoly Group formed in May within the MDF [Hungarian Democratic Forum] caucus, unfurled at a press briefing the group's slogan: "Whoever Remains Silent Is Helping the Guilty To Preserve Power."

By way of introduction, the economic and political reasons for the group's formation were outlined. Istvan Balas said that the power of the failed party-state's economic managers remains unchecked, and also the politicians who had fallen with the party-state have been placed in key positions of economic power. A change of economic systems has not been carried out; the market is dominated by monopolies formed under the previous regime and headed by inept managers.

The monopolies dominate the market and are thus able to dictate prices behind which there is no real value of labor, said Lajos Zsebok. Furthermore, the heads of the monopolies also control an information monopoly that makes perspicacity very difficult in the process of changing economic systems, and these difficulties have not spared the government either.

The Monopoly Group recommends the breakup of monopolies and their networks, as well as the continuation of privatization in a way such that it can be monitored also by labor.

The approximately 10 members of the Monopoly Group intend to make use of their rights as members of the National Assembly. They have already received from the public numerous reports of abuses—at insurance companies, AUTOKER [Motor Vehicle and Spare Part Trading Enterprise], Loverseny Vallalat [Horse-Racing Enterprise], and in the dairy, grain, and meat industries, for instance, which they have passed on to the authorities concerned.

The members of the group believe that they could even make the government's responsibility public if that were established, but it is not their intention to work against the government. They intend to keep the cabinet informed, because that body is often accused of being unaware of the actual problems.

In a statement released at its press briefing, the Monopoly Group requested the public to turn to it with confidence and to support its useful work.

**State Involvement in Economy Sharply Criticized***91CH0732A Budapest TALLOZO in Hungarian No 27,  
4 Jul 91 p 1268*

[Interview with Tibor Liska, professor at an unidentified university, by Zoltan Szilas; place and date not given: "Who Is In? Dr. Tibor Liska on the State Administration of Business Activity and His Own Plans"—last paragraph is comment by Szilas]

[Text] [Liska] They left out specifically the most talented businessmen. We will not have an effective entrepreneurial society if they are not allowed to be in business! Unfortunately, the same thing is happening in Hungary today as happened under Horthy. The slogan is: "A gentlemen is a gentlemen even in hell." Even if he is a complete idiot. That is why everyone is striving to be in. But connections are necessary to attain that blissful state. Ability and aptitude, on the other hand, are not essential.

[Szilas] Are you, for instance, in? Do you belong to the societies of which you must be a member if you wish to be in business?

[Liska] I have been left out, and that is how it will be also in the future, I suspect.

[Szilas] Professor, you are saying that only those people can be in business who are roasting their steaks close to the fire. Yet what I am hearing day in and day out is that the most diverse forms of assistance are being offered to the braver ones—start loans, for example.

[Liska] Well, then why don't you try to apply for a Start loan? I am willing to bet that you will not get one. And I am also willing to bet that I would not get one either. Look, here is a photograph of the building I would like to buy. I would open in it a club for academics, and a department store. The latter could perhaps be run even by the young people with whom I formed a minisociety, with its own economic policy, during a summer camp. But I am unable to borrow the seed money I would need. I will sell my apartment, and my wife and I will live in a mobile home. But the money I obtain in this manner will be merely collateral, proof that I intend to retain an interest in the success of my venture.

**The Antieconomics of Bureaucrats**

[Szilas] As a matter of fact, that mentality is not typical of businessmen these days.

[Liska] Nevertheless, it is they who are receiving support! The managers of the country's economy are now busy with devising ways to rip off some of the proceeds from privatization. They are forming various agencies and companies to "candle" the state assets earmarked for privatization, to assess their value, or for some other foolish things. According to my method, there is no need for anything like that in a properly functioning market! Assessments have been invented by simpletons who are practicing bureaucratic antieconomics without real proprietors!

[Szilas] In your opinion, it is not necessary to assess the value of a state asset that is about to be sold?

[Liska] Let the buyer assess the value of the asset! Let him and the seller mutually agree on the price. Why is the buyer being forced to let an interfering third party "help" him?! Let the person who pays and takes the risk decide. Just stop and think through what the State Property Agency is actually doing! In my opinion, it is just churning out paper and bullying us. After all, it is unable to guarantee that the buyer will realize his expected profit from the bargain.

[Szilas] Of course, the state agencies are able to say that they are here to ensure fairness, to determine the real value of the assets. The seller's and the buyer's opinion differ in most cases, because their interests are different.

[Liska] And you to believe that simple story? In a properly functioning market there is no need whatsoever for an "impartial" third party. A market means that I am selling and buying. The state assessor is a useless parasite. A profiteering bureaucrat. To wit, the state is unable to buy and sell from or for its own pocket. Because it does not have a pocket! What it claims to own is actually yours and mine. The theory of reprivatization and similar nonsense merely serve to deprive us of our money! Why do you think that the start of experiments with socialist entrepreneurship had been banned earlier?! Now we are being misled with even costlier plans. But they simply are not giving us the money, mounts and weapons that those plans require.

[Szilas] Who is getting them?

[Liska] Have you not found it peculiar that the same handful of persons are winning the right to elaborate the plans for various privatization projects, one after another? They are the ones who collect huge amounts for unnecessary paperwork. They are enjoying a privilege for which there is no need. That is a high level of organized crime! These hellishly well-meaning gentlemen and their procedures are more harmful than gangsterism. Compared to them, bank robbers are respectable gentlemen.

### Well-Meaning Gangsters

[Szilas] In other words, Professor, you would entrust our economy to market mechanisms?

[Liska] Yes, but not just to any market. When the caveman exchanged a stone ax for an arrow, that too was a market. The stock market is somewhat more developed. My concept excludes from the market the privatization that the state is pushing, and the state itself as well. Because the state is disorganizing our economy before our very eyes! A market must be created in which money is a commodity, like any other! Let us give everyone the right to issue money! For only then can financial management develop that is similar to trading shares. The share, of course, is a form of borrowing where the borrower never has to repay the money, yet the lender is able to get his money back at any time. He can

sell his share whenever he desires. In the same way, of course, I would abolish also the corporations' boards of directors, the practice of so-called collective decision-making, the voting and similar things; and even the State Property Agency and other state trifles. Moreover, these primitive stupidities are regarded as being democratic. Whereas the market has nothing to do with the primitive stage of democracy. Commodities are traded in the market. There the smarter player wins. The voting is with forints. A chess game is not won by the player who behaves more democratically, but by the one who is the more intelligent. Those players who do not know how to play are the ones who keep harping on market democracy. They are demanding a vote! They are demanding the right to sweep the figures off the chessboard whenever they feel like it!

### Administration on a Business Basis

[Szilas] Do you concede any role for the state, the government, or even the local government of a small village, in administering the economy?

[Liska] No, because the various agencies and committees of the aforementioned organizations enjoy feudal privileges—the right of eminent domain, for instance. They are collecting tolls as if they were the owners of the given areas. But who owns a given area, the state, the county, the local government? And what does local government mean...local self-government? All right, but then let the local government govern itself from and for its own pocket, and let it not play at being democratic. Let it be enterprising! Let it say that it wants to govern itself in such and such a way, and let it do so at its own expense. Let it not claim that I wanted you to self-govern the way you planned to do because I had elected you. And something more, you must finally realize that it is not possible to administer on a territorial basis. The country must be administered on a business basis by those who know how to administer it. Let market competition, rather than the bureaucrats and committees, decide who is qualified!

[Szilas] I think that you really are out in left field. After all, power is exercised by people. An entire series of institutions, organs, bodies, committees, and agencies would have to be abolished to implement your plans!

[Liska] Look, I am a researcher, but they want to terminate me nevertheless. They have been wanting to for a long time. But I am still here.

(Admittedly, we are unable to identify with every one of Professor Liska's statements, but we feel that his opinion is close to the views held by many people. Let this writing be a polemical essay for those who think differently.)

### Former Industry Minister Interviewed

91CH0732B Budapest TALLOZO in Hungarian No 27, 4 Jul 91 p 1269

[Interview with Laszlo Kapolyi, former minister of industry, by T.B., reprinted from 26 June edition of

VILAG; place and date not given: "The Curse of Being an Expert"—first paragraph is VILAG introduction]

[Text] He was accused, and is still being accused, of elaborating and supporting the Eocene Program, which caused the country losses amounting to several tens of billions of forints. Meanwhile, others who were in high public office at the time when construction of the Bos [Gabcikovo]-Nagymaros power project was begun and then accelerated are now occupying top posts in international financial institutions and are leading in the popularity polls. Laszlo Kapolyi, former minister of industry, answers his attackers and reflects on many other things as well.

[T.B.] You left your post rather summarily at the time.

[Kapolyi] What happened to me was probably unique in politics. The parliament approved in September 1987 the program for restructuring industry. A few months later, in mid-December, I was relieved of my office. If a minister's program fails in a functioning democracy, the minister falls with it. But if the program is found to be suitable, its author remains in office. My case serves as further proof that professional competence does not count for much when professional arguments encounter political lines of force.

[T.B.] What were those political lines of force?

[Kapolyi] A peculiar struggle was taking place in the early 1980's over distribution, between personal and enterprise incomes and budgetary revenue. At the time of the new tax system's introduction, for instance, I opposed the system's tax rates because they placed the enterprises in an unacceptable situation. I did not agree with the state budget's expanded role in the redistribution of income. To wit, it meant that the state budget would bleed the economy white, and the population would come next when there was nothing more left to siphon off [from the enterprises]. And when the state budget could not suck anyone's blood, it itself would run out of breath. The enterprise sphere is the dominant in a developed economy. The population is encouraged to set aside long-term savings, which are then invested in the economy. When I was relieved of my office, the prime minister told me that I had inflicted and sustained too many wounds.

[T.B.] To what extent were you able to make important decisions independently?

[Kapolyi] The State Planning Commission occupied the key position. The decisive factors were the representatives of the Finance Ministry and the Planning Office. The heads of the productive branches could participate in the deliberations only by invitation and were only able to offer proposals at best. Nevertheless, I cannot claim to have had no impact on the decisions. With considerable difficulty, I was able to carry through our withdrawal from the Krivoy Rog agreement. With that step we saved 18 billion forints. Had we received at least a third of that amount, there would now be no problem with Ozd [iron

and steel plant], in my opinion. We did not get a single penny. Which is deplorable also because this is the fourth time that Hungarian industry has been written off this century. The first time was after the Treaty of Trianon. It is no accident that Keynes had resigned his commission to participate in the drafting of the peace treaty, because he felt that it was completely absurd to destroy the Carpathian Basin's integral market. The second time was with the Gyor Program in 1938. The recovered and properly functioning economy was converted to defense-industry production. World War II practically leveled Hungarian industry. Then came "socialist industrialization," the forcing of manufacturing industry, and socialist integration to our disadvantage.

[T.B.] We cannot avoid bringing up the Eocene Program that is associated with your name.

[Kapolyi] Within state administration I was concerned with energy-related matters from 1976 on, the year I came to the Ministry of Mining. Electric power consumption in Hungary at that time was doubling every ten years. We attempted to slow down that growth rate. The construction of a base-load power plant became inevitable, and it still is even today. In spite of my coal-industry background, I voted for Paks. I did so for economic and technical reasons, and—last but not least—because of environmental considerations. At the same time I proposed halting the construction of the Bicske thermal power plant. Of the 60 billion forints earmarked for that project, 1.5 billion forints had already been spent by that time, but we saved 58.5 billion forints. Those who in the spring of 1989 decided to speed up the construction of the Bos-Nagymaros power project are now being left alone. The Eocene Program started back in the mid-1970's, when I was nowhere near the place where the important decisions were being made. The 95-billion-forint program began in 1975, but has never been completed. Only a quarter of it is finished, namely the Trans-Danubian coal mines: Dorog, Many, Nagygyhaza, Dudar, and Balinka. The mine closures in recent years have not reduced the price of coal. And I also contend that technologically this mineral wealth will yet be rehabilitated.

[T.B.] What happened to you after 1987? How did you come into contact with social democracy, with the Social Democratic Party?

[Kapolyi] For a year, in 1988, I was government commissioner without any power, concerned with energy problems. I regard as a big defeat my inability to stop the continuation of the Bos-Nagymaros project's construction. Urged by the government, the parliament at the beginning of 1989 voted for accelerating work on that project. And then the same parliament, on the basis of the same set of arguments, decided to halt the project. In the end, it was swept of the floor and tossed out in half an hour. I have long been attracted to social democracy. Although it no longer behooves one to mention this, there had always been a Social Democratic line within

the MSZMP [Hungarian Socialist Workers' Party]. At the time of that memorable party split I joined neither the MSZP [Hungarian Socialist Party] nor the MSZMP, because I knew the principals and their earlier standpoints too well to trust their change of views. Without abandoning my leftist attitude and being familiar with the international economic practice of the Social Democrats, I am able to embrace social democracy.

[T.B.] The social democratic parties in Hungary are multiplying by division, and it is no coincidence that the Socialist International at its recent session has suspended the membership of the MSZDP [Social Democratic Party in Hungary]. What are you hoping for?

[Kapolyi] After overcoming its petty personal squabbles, social democracy in Hungary will be able to attain its rightful place. I do not believe that only the existing party formations are able to advance social democracy. Social democracy's ideology will find those who are willing to embrace it, although I am unable to say in which parties this will manifest itself. The quarrels that evoke revolution discredit only the participants, but not social democracy's ideas and principles. In my opinion, those who are unwilling or unable to engage in politics in a civilized manner are excluding themselves from the long-term processes. And the prospects of those processes are favorable. It will suffice to cite the results in Germany's state elections.

[T.B.] You are known to be an intermediary between Soviet and American businessmen and politicians. How were you able to develop good contacts in both directions?

[Kapolyi] I knew Bush, the current President of the United States, and I also knew the American ambassador of the day. My acquaintance with them created considerable trouble for me, but I do not wish to dwell on that. Several prominent people in Yeltsin's entourage—including Silayev, one of Yeltsin's most important advisers—are old acquaintances. I have reactivated myself and am participating in the work of the Club of Rome and of the Aspen Institute. A conference on the world's energy system is being held in Leningrad, or St. Petersburg, in November of this year. Soviet, American and other experts will be meeting in Boston next year. With the modest means at my disposal, I will attempt to bring both superpowers' prominent personalities closer together, from which also Hungary could only benefit. The way I see it, something that for centuries has been our curse—namely, our location in a "drafty spot" at the crossroads of nations—could now turn into our advantage. As a transit country, we have to be in on all kinds of deals, whether between the United States and the Soviet Union or between West and East Europe.

### Financial Research Corporation Reports on Economy

91CH0731A Budapest *MAGYAR NEMZET*  
in Hungarian 11 Jul 91 p 9

[Article by Ervin Zsubori: "Financial Research Corporation: We Are With the Hippos"]

[Text] "Presenting an ever-gloomier picture, the Hungarian economy's big train remains stuck in the tunnel. Meanwhile, a smaller train that has split off from the big one is speeding toward the tunnel's exit on an entirely different track, but it does not yet have enough power to also haul the big train along." That statement can be one of the summary conclusions of the press briefing at which the Financial Research Corporation presented its customary annual "tunnel report." Its main topic on this occasion has been a report card on the Antall government's performance during its first year in office.

### Doing the Government a Good Turn

"Our purpose in preparing this report has been to do the government a sort of good turn by presenting a realistic account of what the government inherited and what it has accomplished so far," said Maria Zita Petschnig, a coauthor of the report and its editor. The report points out that, within moments, the government will have to confront very serious difficulties. Although the Antall government cannot be assigned full blame for the evident recession, inflation, and unemployment—they are, after all, the results of a social formation's crisis, of the foreign and domestic debt accumulated over 40 years—one must nevertheless note that this government, too, has contributed toward the further deterioration of the situation. We are witnessing a kind of historical paradox, in the sense that the Nemeth government exceeded its own identity by drafting, and having its parliament enact, practically all the legislation paving the way for a change of political systems, and the constitutional laws serving as the basis of a change of economic systems as well. In the wake of the big political changes after the elections, the Antall government could have been expected to accelerate the processes of transforming the economy, but in that respect it has accumulated serious shortcomings. The Antall government considered it more important to gain ground ideologically than to transform the economy.

For the above reasons, Petschnig continued, the process of changing economic systems has stalled. Privatization and the reform of public finance were supposed to be the two main pillars of that process. The former is proceeding extremely sluggishly. Regarding the latter, there simply has been no reform of public finance to speak of, even though preparations for one have been underway since 1988. This reform is very anemic at present; it attempts to manifest itself merely in legislation regulating administrative procedures, which is not enough by far. Foreign trade was the economy's success story last

year. But those results appear good only in comparison with the very poor figures for the year before, and they also had their drawbacks.

### Loosening and Fastening

The Antall government's inheritance was indeed onerous, but it is likewise true that the Nemeth government had left its successor an economy relatively capable of functioning. The present government's stewardship of that economy, however, has not been very good, and it was realistic to expect the government to do much better. The successor, it is to be feared, has used up the reserves. The inaction that has been typical of the new government, but which has had also its advantages, does not seem intolerable on the whole, especially in a historical period like the present one, Petschnig concluded.

"A basic question of the investigation has been to determine in what respects is there continuity under the Antall government in comparison with the preceding period, and in what areas has the new government been able to produce real changes. Both statements are true of privatization," said Eva Voszka, the next speaker. Continuity is evident, for instance, in that the government still does not have a comprehensive and detailed privatization program even now. This is not merely a professional question; real social and political debate to support the entire transformation of ownership is still lacking, and a consensus has not yet evolved on the basis of which these skeleton laws could be enacted. Continuity is also evident in the conduct that has been typical of the government for some time: on the one hand, it is encouraging the conversion of enterprises and privatization; on the other hand, it is holding back this process. Although the Antall government needs spectacular privatization results in the interest of its own legitimization, its fear is still perceptible that privatization will intensify the socioeconomic problems. Finally, there is continuity also in the methods of transformation as well. The three principal directions noticeable three years ago—i.e., the formation of small businesses independently of state assets; the conversion of large enterprises into corporations, without privatization in most cases; and the infusion of foreign capital into state-owned firms—remained typical also in 1990; to them the new government has not really been able to add either new methods or new potential proprietors.

The greatest change concerns the intended transformation of the system of decisionmaking, specifically the replacement of so-called spontaneous privatization with centrally controlled denationalization. By now even the government itself admits that centralization is not working and the State Property Agency has not been able to get a real grip on decisionmaking. A difference is apparent also in that earlier the privatization programs were shaped by committees of experts, but since the beginning of 1991 certain partial areas of privatization have become also the objects of political struggle. Finally, the government seems to have shifted from its declared intention of selling state assets, toward giving

them away. In summary, we have a very eclectic process in which every possible player and technology appear, but without any clarification of the rules of the game for decisionmaking and the legal limits of the decisions.

"Most of the processes taking place in agriculture and the food industry during the past 18 months would have occurred anyhow, even without a change of regimes," said Kalman Mohacsi at the beginning of his briefing. The outlines of an extensive and ever-deeper crisis emerge from these factors. In agriculture and the food industry, for instance, the system of production engineering was pronounced successful in the past; but now it turns out to be coping with very serious problems of efficiency that are hampering further growth. The fact that this is occurring just when our Eastern markets have collapsed lends it special emphasis. The problems have intensified further this year, and the crisis management that should have started last year is now inevitable. Here again, however, the Antall government has been preoccupied with the political concerns of the branch, primarily with the question of land ownership. It would be important to offer agriculture and the food industry a new perspective, one that clarifies what kind of markets, and of what size, they can expect in the future.

### Hunter's Calendar

"The investigation focused on the question of whether a causal relationship existed between the new government's existence and the present state of the economy," said Istvan Csillag at the press briefing. In practice, the analyses tell us that the new government's accession to power has done neither much good nor much harm in this respect. But we should note that governments in other countries of East Europe had to promise miracles in order to gain acceptance at home and in international monetary circles. There was no need for Hungary's new government to do that. It would have sufficed for our government to adhere to the line inherited from its predecessors, "garnished with a few democratic, bourgeois, liberal, and other overtones, of course." We now see, said Istvan Csillag, that the government's concepts and policies regarding the economy are gradually returning into their old groove, and this may be regarded as a very fortunate feature. The Hungarian economy has developed a certain autonomy that is blunting the government's specific, direct actions one after the other, and essentially these actions are not even able to disturb the functioning of the economy. But this also implies the government's failure to introduce measures that could have accelerated this development, and to take advantage of the unique opportunities that arose only here in Hungary. Here it was not necessary to derail the economy's train from its earlier track; the train merely had to be freed of the ballast with which it was encumbered during the past 40, 10, or five years.

So far as privatization is concerned, continued Istvan Csillag, the state bureaucracy would be the least likely to succeed if it undertook to act as a substitute for real

proprietors. In that case, self-privatization would be a better solution; recently it, too, has been added officially to the available possibilities. Referring to the title of the well-known film, the researcher said: "In any case, we are on the side of the hippopotami, rather than of the

gamekeepers or hunters. We should not be telling the hippopotami when to have sex; they ought to be able to decide that for themselves. But it would be good to know who has a hunting license, and also the exact duration of the hunting season."

**Visibility of Poznan Social Democrats Grows***91EP0619B Warsaw RZECZPOSPOLITA in Polish  
27 Jun 91 p 2*

[Article by Piotr Gorski: "Wielkopolska Social-Democratic Union Increases Its Activity"]

[Text] On Monday in GLOS WIELKOPOLSKI an announcement appeared from the Wielkopolski Social Democratic Union [WUS] condemning the behavior of Tadeusz Fiszbach during the voting on amendments to the electoral law. "The Regional Coordinating Council of the Wielkopolska Social Democratic Union enjoins the deputies of the Wielkopolska Social Democratic Union to initiate a discussion in the deputies' club on the subject of Tadeusz Fiszbach's attitude and investigate the possibility of expelling him from its midst."

Also, on the same day, WUS sent out another announcement in which it unequivocally declares itself in favor of the electoral law passed by the Sejm and states that the "accepted version of the law, unlike the presidential draft, ensures the voters influence on not only the political composition but also on the membership composition of parliament." "The WUS"—we read in the announcement—"expects that the president will sign the law without delay." It also expresses its regret that the president personally (in a speech in front of St. Brygida's Church in Gdansk) joined in a "demagogic political campaign" serving the forces, "which feel that the only way they can win the election is by creating political instability and increasing social tensions."

These announcements call attention to WUS's activities, about which little was known thus far, even in Poznan. The initiatives of the deputies who are members were more evident (including the candidacy of Wieslawa Ziolkowska for the presidency of the Supreme Chamber of Control and the discussion on housing policy that she arranged). Perhaps the bolder expressions of opinions come with the change in leadership of the Regional WUS Council and the assumption of the chairmanship of this group by Wieslawa Ziolkowska, unquestionably the best-known person and one who is very popular in the Wielkopolska community.

The change in leadership occurred during a meeting of member groups from two voivodships: Leszno and Poznan. The electoral law and WUS's participation in the elections campaign were discussed. Various options, including drawing up an independent-candidate list or forming a coalition, were examined. It was recalled that this party has a regional character, that it opted for the Polish Social Democratic Union as a union of independent regional political parties. Lack of consistency in such building of a political force is presumably why WUS members refused to work together with the Polish Social Democratic Union. It was pointed out that in considering itself to be a regional organization, WUS is more like the Wielkopolska Union. As a result of this meeting, a motion was passed that an elections coalition be formed with other groups, not necessarily political.

However, the idea of a joint electoral Democratic Left Bloc in Poznan Voivodship, put forth by the Polish Social Democratic Union, was not supported.

**Regional Administration Issue Resurfaces****Regionalization Examined***91EP0606A Warsaw RZECZPOSPOLITA in Polish  
24 Jun 91 p 3*

[Article by Renata Wrobel: "Who Wants To Regionalize?"]

[Text] In responses to questionnaires on regionalization, the irrationality of the present division as an argument for and the high costs as an argument against have appeared most frequently. The questionnaires were sent out last April by a government committee for developing the concept of regionalization. Responses were received from 34 of 41 voivodships and 471 commune councils (of approximately 2,500). Though this is not quite a representative sample (especially in the case of the communes), the results provide some idea of the opinions expressed in this matter by representatives of the government and self-government administrations.

The questionnaires asked about views on regionalization, the form of the intermediate organization of the regions, and the form of regional organization (three possibilities were presented: a functional region with competence limited only to specified tasks; a self-governing region with general competence and its own executive apparatus; and an autonomic region that would have additional legislative competence).

**Advocates and Opponents**

Thirty-one voivodships and 381 commune councils spoke for regionalization. Supporters stressed the irrationality of the present territorial division, the need for rapid decentralization, and the persistence of the divisions prior to 1975 in the minds of the inhabitants. The hope was expressed that the regions would promote optimal socioeconomic policy. Those speaking for autonomic regions further stated that it would be possible to adapt local ordinances to local needs, and that constructive rivalries among regions would increase.

Most often, opponents to changes in administrative divisions expressed fear of the high costs of this operation. Statements were made that the present division into voivodships is basically good and needs only slight corrections; they also cited a lack of political, social, and economic stability, which would be needed for carrying out the reform. Some opponents of regionalization maintain that the discussion is of a vicarious character. Others maintain that the concepts presented are somewhat vague. Anxiety is expressed that regionalization will limit the competencies of self-government, and there is a fear of anarchy and atomization of the country linked to the concept of autonomic regions.

Among both advocates and opponents, the opinion is frequently expressed that the problems of government and self-government competencies at various levels must be resolved simultaneously. Many communes, even when speaking for reform, proposed postponing it, and almost no one recommended a quick decision.

#### What Kind of Region?

Among the voivodships favoring regionalization, most favor the concept of self-governing (14 responses) and autonomic regions (12 responses). Five voivodships opted for functional regions. In the communes that favor reform, most support autonomic (145 communes) and self-government regions (144 communes), and fewest of the communes favored functional regions.

#### Who Is Cooperating With Whom?

On the basis of information sent by the voivodships, areas presently cooperating between voivodships have been established, and these are evidence of gravitation of certain voivodships toward each other.

Region I includes Lublin, Chelm, Zamosc, Siedlce, and Biala Podlaska voivodships. Cooperation pertains mainly to environmental protection, agriculture, science and education, reconstruction of the Wieprz-Krzna canal, and protection of the waters of the Bug River.

Region II includes Bialostok, Lomza, Ostroleka, and Suwalki voivodships. These have been cooperating for several years now in environmental protection and economic development (agreement on creating the Green Lungs of Poland region). Several voivodships from this region are undertaking activities to protect the Biebrza wetlands and to create the Biebrza National Park.

Region III includes Wroclaw, Legnica, Walbrzych, Zielona Gora, and Jelenia Gora voivodships. These are cooperating in environmental protection, water economics, agriculture, tourism, science, and health protection.

Region IV is made up of Gorzow, Zielona Gora, and Jelenia Gora voivodships, integrated within the framework of the Union of Western Communes.

Region V includes Poznan, Kalisz, Konin, Leszno, and Pila voivodships. These signed an agreement creating a regional health care system. There are also other supra-voivodship structures; for example, commerce-industry and agricultural chambers and the Association of Great Poland Communes (in which some communes from the Bydgoszcz, Gorzow, and Zielona Gora are included).

Region VI includes Olsztyn, Suwalki, and Elblag voivodships; it is in these individual communes stated in the questionnaire that they want to create a single region.

Region VII includes Krosno, Przemysl, Rzeszow, and Tarnow voivodships. These are united in an agreement to cooperate in restructuring the economy of the region.

Region VIII is Mazowsze: Warsaw, Ciechanow, Ostroleka, Piotrkow, Plock, Radom, and Skierniewice voivodships. The voivodship governors issued a declaration on cooperation with special emphasis on ecology, economic promotion, and structural-ownership reformation. Also, the Warsaw, Ciechanow, and Plock voivodships reached an agreement in the matter of economic activation of the Mazowiecki region.

Region IX includes Bydgoszcz, Elblag, Gdansk, Pila, Slupsk, and Torun voivodships. These are cooperating in water economics in the lower Vistula and Baltic area, building the north-south superhighway, and creating regional structures.

#### What Are the Relations Between the Region and the Commune?

The subject of rationale for the existence of an intermediate level between communes and regions was considered by 23 voivodships and 221 communes.

Most frequently mentioned by the voivodship governors as an intermediate level was an intermediate administrative district (13 responses), then an administrative district and voivodship (6), and a voivodship (4).

Most of the communes spoke for an administrative district or an administrative council (144 responses). The voivodship as an intermediate level was selected by 25 communes, and the administrative district and voivodship was selected by eight. One fifth of the communes maintained that this level is unnecessary.

Of the communes, 104 expressed an opinion as to the organization of authority at the intermediate level. Dominant was the conviction that this level should include self-government and government organs (45 communes). Responses of 33 communes advocated a compact, or union of communes; 20 communes favored self-government organs exclusively, and six spoke for exclusive government administration.

#### Economic, Other Benefits Noted

91EP0606B Warsaw RZECZPOSPOLITA in Polish  
24 Jun 91 p 3

[Article by Pawel Adamowicz and Lech Mazewski: "Benefits of Regionalization"]

[Text] In proposing changes in the Polish territorial system, one may anticipate certain results. At the current level of work on regionalization, we shall attempt to balance the eventual benefits of establishing a new order based on evolutionarily introduced universal territorial autonomy.

We want, at the same time, to indicate that the expected benefits will manifest themselves only in the long run; forgetting this would create a subsequent delusion that regionalization will rapidly and effectively resolve many problems.

### Accelerating the Rate of Economic Development

Adopting a new territorial organization of the country based on large area units provided with an adequate demographic potential and broad executive and legislative competence, including partial financial authority, would create new possibilities for economic development for specific parts of our country.

Regions that have stable sources of income guaranteed by law and certain powers in the area of financial authority would have the possibility of free development of their own economies consonant with their potential.

The result of regionalization would be a reversal of the present method of dividing national income. Dividing income would no longer be done through the central budget, but by way of financial allowances beginning at the commune level and going toward the center. Of earned income, 60 to 70 percent should remain in the regions.

In the new situation, the central government would become, for the most part, the guardian of the rules of economic play, including stable financial principles. However, this would not be the case in all regions. Regionalization, definitively disclosing the real proportions in economic development of specific parts of Poland, would force the state to stimulate economic activity in the weakest regions. Useful instruments might include, specifically, investment facilitation and the creation of special funds for regional development. Also, the richer and more energetic regions would support the weaker units by transferring their own capital, organizing interregional credit institutions, and so forth.

Regionalization would help mobilize local supplies that are now frequently poorly exploited. In a deeper crisis, this would be most important. Limited financial means for social expenditures could be shifted from the central to the regional level. Entrusting regions with social policy and organization of collective use would allow more rational expenditures by eliminating the application of standardized countrywide norms. This would individualize social policy (including the struggle with unemployment) according to existing needs and conditions.

Regionalization, providing the local centers with the possibility of participating in the process of restructuring and the privatization of industry, would accelerate the emergence of Poland from economic collapse. The main burden of preparing and implementing many essential economic programs that could change the face of our industry rests specifically with the regions supported by the center. The region may become a more effective implement for modernizing the Polish economy than the central ministry.

### Vertical Division of Authority

Regionalization would effect and consolidate further division of public authority among the centers that control it. It would make possible a clear division of

competencies between central organs responsible for establishing and implementing countrywide policy and organs that formulate and implement policy limited to a region. The classical (horizontal) three-part division of authority would be complemented by a vertical division. In this way, we would have a more differentiated and equable structure in the country.

Turning over broad competence to the regions would allow the central government to concentrate on conducting strategic policy on a countrywide scale and would relieve the central administration of expensive and labor-intensive resolution of many problems that can be satisfactorily resolved by regional authorities. Functioning of the central administration would improve and the process of decisionmaking would be shortened and optimized. As a result, we should reach a definite reduction in the number of administrators at the central level.

The real influence of the regions on most of the matters that pertain to them without central control should facilitate political empowerment of the public and increase the sense of responsibility for public affairs. Participation of various groups and public centers in exercising authority would increase not only at the regional level, but also countrywide, specifically, by empowering the regional council to influence countrywide legislation.

The new territorial organization of the country would be conducive to crystallization of new political elites that would want to take responsibility for the region. The functioning of regional representative organs would result in establishing a system of countrywide political parties and the rise and development of regional parties that would limit their political ambitions to the territory of the given region.

In the region, political organizations would be able to carry on political activity around concrete, socially important problems. This would give political disputes a pragmatic dimension, which in turn would make public verification possible. The regional system would promote the formation of a new generation of politicians and administrators who would come of age in local societies closely linked with their needs and striving for their interests in a countrywide forum. The development of strong regional political centers would create an additional mechanism that would diminish the negative results of domination by political elites at the central level that are only slightly subject to public control.

Presidential authority in the presidential-parliamentary system toward which Poland is moving requires counterbalance. This may certainly be the participation of parliament in governing the country if it succeeds in creating a stable majority. However, even if this happens, it may not be enough. An institutional brake on the power of the president may be the emergence in our country of the regional state. As a result of real limitation, presidential power would submit to autonomic

regions, but would not necessarily be weakened. Our ideal should be strong authority, but clearly limited and balanced.

By transferring many competencies from central authority to the regional level, regionalization would increase the flexibility and adaptive capabilities of the whole political system. This would have great significance in the situation of deep and long-term reconstruction of the economic and social structure of Poland. The political advantages of regionalization would also strengthen legitimization of the new Republic and would support the democratic order that is being established.

#### **New Regionalism in the Former Communist Bloc**

The fact that Poland is coming closer to Europe indicates the need for a deep decentralization of our country, and regionalization must be an essential element in this. A united Europe will be not only a Europe of countries, but also a Europe of regions and local systems. This would guarantee to a greater degree the realization of economic, cultural, and social integration not inhibited by ambitions of specific countries or nations. Integration will be more effective and deeper if it occurs at the regional level.

Simultaneous with establishing regional contacts with West Europe, there must be a process of finding our place in the regionalism of post-Communist countries. Here we are thinking of cooperation on the north-south as well as the east-west axis. Involved in the first case is a triangular regionalism: Czechoslovakia, Hungary, and Poland (Upper and Lower Silesia and Little Poland), the eastern Carpathian region (Ukraine, Romania, and Little Poland), and cooperation of the Baltic regions (the northern regions of Poland). The second case involves cooperation between the lands of former East Germany and western Poland, Belorussia, the Ukraine, and eastern Poland.

Creating a transboundary regionalism over the area of the former eastern bloc would be of real significance for all countries participating in this because it would give us entry to Europe, which has been turning its back on us. The effectiveness of this new regionalism would influence the rate of Poland's being included in the European structure.

#### **The Birth of Regional Identity**

The economic, political, and international implications of regionalization would create the possibility of reconstructing regional community. In "Regional Ties and National Ties in Silesian Opole," Stanislaw Ossowski wrote that, "Regional community is territorial community that has, to a greater or lesser degree, a sense of its separateness, but does not consider itself a nation; in other words, its members do not attempt to ascribe the attributes of a nation to their community. Usually such community is an element of a kind of national community. Members of a regional community, be it Podhale or Kurp, Burgundy or Gascony, may consider themselves

to be simultaneously patriots of their regions and patriots of the national fatherland."

Thanks to regionalization, it would become possible to draw out and disseminate the individual regional traits to which ethnographers are paying more attention presently than the residents themselves. The recreated regional structure with its new symbolic attributes such as a regional flag or coat of arms would engender a sense of belonging and a natural patriotism in the regional communities. This would promote the process of reconstructing regional identity as an important complement to national identity. In turn, this would foster attitudes of civic responsibility and strengthen the ties between the residents and the territory in which they live. Even Alexis de Tocqueville knew that the school of the citizen is not only local self-rule, but also all other intermediary bodies whose activity helps develop various human communities from throngs of individuals.

#### **Opposing Arguments Presented**

91EP0606C Warsaw GAZETA WYBORCZA in Polish  
25 Jun 91 p 14

[Article by Jolanta Koral: "Do Not Publish Little Maps of Regions"]

[Text] In February 1991, Lech Mazewski spoke of "Polands" in GAZETA, or of the liberals' proposal to divide Poland into autonomic regions. Since then the idea of regionalization has gained strength and support.

In February, at a meeting with self-governments in Poznan, a clamor arose when Prime Minister Bielecki stated that work must begin on a new administrative division of the country and the creation of 10 to 12 regions. Small and middle-sized voivodships protested that they would be "sentenced to being swallowed up," or even "parceled out" among the future regions.

The threatened voivodships feared that creating regions would result in a collapse of their economy and culture, that the country would be divided into the rich and the poor. Regionalization had the fewest supporters in central and eastern Poland.

The president of Skierniewice told GAZETA that, "For us, inclusion in Mazowsze would mean domination by Warsaw. It is easier for us to wring money from the voivodship than it would be in the future to wring it from a region. Skierniewice can make foreign contacts itself. Private capital will manage very well without regions. A Ministry of Property Conversion and a bank system are sufficient for privatizing State enterprises."

Arguments were presented that the old regions do not remember their own identity, that ethnographers and historians are the only people who consider the "historical, individual traits of regions."

A fear was even expressed that the country would disintegrate. The liberals who launched the idea of regions were blamed for dividing and selling out Poland.

Neither did the central and voivodship administrations like the idea of regions. They, in turn, feared an "airing out of the personnel." In departments, it was argued, and still is, that territorial reform would interfere with the efficiency of the administration.

### **It Makes No Difference to the People**

In a questionnaire the Public Opinion Research Center issued in March, 35 percent of the respondents said that regionalization is "of little importance and should be postponed"; 27 percent admitted that it is "important, but should not be hurried"; 25 percent did not see any need for regionalization at all. Only 7 percent of the respondents believed that a new division of the country should be introduced as soon as possible.

Most interested were members of Solidarity, private entrepreneurs, and people with rightist views. Least interested were people with elementary education, low income, and members of the All-Polish Trade Unions Agreement.

### **To the Liberals, It Is Quite the Opposite**

There is talk of three types of regions: the functional region would have rights limited to implementing specified tasks; the self-governing region would have greater economic independence, its own tasks, sources of income and regional council, but would not issue its own statutes; the autonomic region, the head and eye of the liberals, could alone draft statutes within a framework specified in the future constitution.

Supporters of regionalization maintain that regions cannot be based only on communes; another level of self-government must be introduced. This might be districts (in the previous form or a different form), a council as the lowest level of government administration, or perhaps the present voivodships. These would provide general supervision of commune financial management and of the implementation of duties entrusted to the communes. Ecology, sanitation, and construction inspectors would be under its supervision. District or council sejms would review appeals of commune decisions.

Lech Mazewski, adviser of Prime Minister Bielecki, member of the Main Administration of the Liberal-Democratic Congress, author of the concept of autonomous regions, has stated: "Regions with great economic independence provide an opportunity for the development of specific parts of the country. Regionalization means breaking down the centralist system of authority, which robs people of initiative. Privatization cannot be carried out in Poland without decentralization because the decrees or decisions from Warsaw cannot inspire mass activity and privatization must be a collective movement."

The liberals maintain that regionalization will help not just those centers that are already rich. If free development is allowed in Pomerania, for example, then the country would gain a surplus that would help the poorer regions.

Mazewski adds: "In the presidential-parliamentary system toward which we are moving, the power of the president requires counterbalance. The parliament could provide this if a stable majority developed. But will it develop? A regional country could become a real brake to presidential power."

Regions are becoming ever more popular. A majority of the voivodship self-government sejms and country sejms spoke for them on the condition that division of the country must be preceded by giving greater powers to self-governments.

### **Silesia, Great Poland, and Kashubia**

The Movement for Silesian Autonomy operating in Rybnik looks back to the prewar Silesian Voivodship autonomy adopted by the Sejm of the Second Republic in 1920. At that time, Silesia had its own sejm and an independent treasury. Slightly more than one-half of the earnings of the voivodship was turned over to the State Treasury. Silesian "autonomists" would like to resurrect all that. They are concerned only for Silesia.

The Upper Silesia Union, organized in 1989 in Katowice, has broader ideas. It wants the regionalization of the whole country. The boundaries of the regions are of secondary importance to this Union.

The Greater Poland Union is of the opinion that Warsaw always took from Greater Poland and gave nothing back. "We are connected to Warsaw only by the president, the currency, and the Army," they say. "We will reach Europe much more quickly without the baggage from beyond the Vistula."

The Union has specific ecological aims. It proposes that, as in America, enterprises could buy rights to emission of designated substances. If they exceed the purchased emissions, they pay a fine. The money from the sale of emission rights and the fines would be used for environmental protection in the region.

The Kashubian-Pomeranian Association is also for regional ecology, border exchange, and marine economy. The future East Pomeranian region should include Kashubia, Kociewie, Bory Tucholskie, Zulawy, the Chelm and Lubaw lands, and perhaps part of Kujawy.

### **The Region Will Have Both a Sejm and a Government**

Pawel Adamowicz, member of the Gdansk section of the Liberal-Democratic Congress and Gdansk counselor, proposes that regions should have both a regional council, or legislative power, and a regional administration, or executive power. He is opposed to the concept of Mazewski that regions have a resident minister representing the Polish Republic who would have the right of

veto over regional laws. He believes that this would be somewhat excessive State interference.

The regional sejm would have the right to propose to the Sejm plans for countrywide laws, but would also enact its own laws pertaining specifically to regional and local police, agriculture, ecology, and zoning. It would not make decisions on foreign policy, currency, postal and telecommunication services, or courts. It would have its own taxes, would share in countrywide taxes, and would have its own treasury.

### The Dark Sides of Regionalization

Mazewski says: "I have met those who fear that regionalization will lead to a division into Poland A, B, and C, that it will enrich the rich and impoverish the poor. This is what happened in Italy where, after years of regionalization, the rich north is richer still and the poor south, despite money poured in from the north and the Common Market, is as poor as before. Will we not hurt the eastern regions? Especially since we will pull it down by sentencing it to contacts with poor Russia.

"We must understand that no State assistance will help the poor regions. Only independence can force activity there.

"Neither can we assume that the rich regions in Poland will continue to be rich. For example, Upper Silesia has been awaiting a dramatic fate for 20 odd years. Poland will soon be contributing more to it than it receives from it."

### The Communes Are for Regionalization

At the end of April, the administrative committee for developing the idea on changes in territorial organization of the country, which appeared in March of this year, turned to the voivodships and communes. Of the respondents, among voivodships, 31 of 34, and of the commune councils, 381 of 471 spoke for regionalization. Against it were the Ciechanow, Biala Podlaska, and Czestochowa voivodships and 90 commune councils (19 percent).

After several months of discussion and consultation, the committee on regionalization will consider the specific proposal of autonomic regions on 28 June. If the committee confirms this idea, it will be submitted to the communes for discussion.

Mazewski said: "We will discuss regional boundaries last. First the model of a regional country must gain public acceptance. The territory that the specific regions will encompass will be decided by local referenda. For this reason, I ask you urgently not to publish any maps. Such maps do more harm than good."

He adds: "In order that regionalization will not float off into the wild blue yonder in the new parliamentary session, we must now get the local public interested, and in the next elections, we must elect deputies who will fight for the Pol-lands."

Liberals want to create an inter-club circle in the Sejm to support regionalization, gathering its supporters without regard to political hue.

### Commentary on Issue of Presidential Party

91EP0619A Warsaw GAZETA WYBORCZA in Polish  
3 Jul 91 p 15

[Article by Waldemar Kuczynski: "A Strong President or a Commander in Chief?"]

[Text] Donald Tusk, leader of the Liberal-Democratic Congress, said at the last press conference that (I quote from ZYCIE WARSZAWY), "The conflict about the electoral law is a typical substitutive conflict. The gist of the dispute is whether the center of authority is to lie in the parliament or in the Belvedere Palace. The liberals are choosing the second option because free market reforms require a strong authority."

In my opinion, such an interpretation of recent events is only partially correct. I agree with Tusk that the problem of placing the center of authority—and to put it more accurately, the division of competence among the parliament, the president, and the government—has not been settled and that it generates conflict. We also know that the president, who was elected before a new constitution was enacted, took over a government whose role had already been constitutionally defined. But it was not known what powers the future law of the land would give the president.

Lech Walesa actually got a "pig in the poke," and his desire that in the future the Presidency should not simply be glamorous but that it should also carry real weight is understandable and should even be supported.

But it should be added that Lech Walesa, in beginning his precipitate march on the Belvedere, himself created the odd situation in which the natural order of change, i.e., first elections to parliament, then enactment of a constitution, and only then, at the end, election of a president, was reversed. This reversal of the order of the building of democratic institutions once caused a disturbing conflict. Whether it will cause another even more dangerous one will depend on the methods that the president chooses in striving to define his future role.

The choice of methods will also depend on what kind of role the president has in mind: whether it is to be a strong Presidency, the obtainment of essential powers within the framework of the constitutional order created by all of the political forces, or whether it is to be a domination of the political scene and the designation of the future rules of play.

Perhaps it is true that today, a time of difficult changes, a strong Presidency is required. But the dispute between the forces favoring a stronger—within the framework of the Constitution—presidential authority and the advocates of the domination of parliament and the government does not have to degenerate into a conflict.

This is a dispute between two variants of democracy, a system which guarantees the freedom of an individual. This should be decided in the future parliament, and only there. Consent for a strong Presidency will be negotiated in that body, and it can be supported by the authority of the main political forces. By choosing such a course of action and utilizing parliamentary procedures, Lech Walesa can obtain substantial support for the good of the Republic and to his own credit.

But the use of this model of an electoral law as a pretext to impose his will on the present parliament in order to be able to possibly repeat this with the next parliament would indicate that in this conflict it is not a matter of a strong Presidency, which Donald Tusk probably has in mind, but about a dominating Presidency. About a system which has little similarity to a Presidency on the French model, but brings to mind the rule of command.

This word is already being bandied about and Lech Walesa even said recently that "he is doing everything he can to avoid becoming a commander." Let us hope that this time he is successful because, as we know, his resistance to becoming president was futile.

A Presidency that dominates the political scene, as distinct from a strong Presidency, cannot be negotiated in parliament. It can be obtained only by exerting pressure, i.e., by really destroying all of those who are not willing to fall in line, including a large part of the former Solidarity family. A dominating, willful Presidency is a system that replaces citizens with subjects, and the guaranteed right of the freedom of the individual with a freedom regulated by the authorities.

That, more or less, is what the "nondogmatic application of democracy," which Jaroslaw Kaczynski recently talked about, would look like. That would be a way of plunging Poland into a dangerous political adventure, into a tragedy thrust upon the nation for who knows what kind of sins.

In an article published a few days ago (GAZETA No. 151), I wrote that I have no proof of the existence of a scenario to liquidate the budding and fragile Polish democracy. Today, after the Center Accord Conference and after Kaczynski's utterances, I would not be able to repeat that statement.

It is obvious that the president, in the face of parliamentary elections, cannot decide to form his own political bloc. That is normal, but when he stands—officially or unofficially—at its head, he is involving himself in a political struggle and is ceasing to be the president of all Poles. That is the consequence of a choice that he has the right to make.

But the creation of a political party is something different from the postulate that a "strong decision-making center" ruling the country be created around the president, who is supposed to "take control of the military and the police!" (The latter sounds like the takeover of

the radio, television, and telephone systems.) The fundamental question arises: Does the constitutional president know what his chief official is saying and does he approve of it? Does he approve of the formation (among the forces declaring support for him) of a concept which is nothing other than the preparation of a rebellion against the state order? Why, instead of being the guardian of peace and harmony in the country, does he agree to tolerate the actions of the makers of discord and confusion and another misfortune?

### Critical Report on Hersant's Press Purchases

91EP0621A Warsaw GAZETA WYBORCZA in Polish  
13-14 Jul 91 pp 10, 11

[Article by Anna Bikont and Seweryn Blumsztajn: "The Empire Strikes"]

[Text] He talked hundreds of hotel and restaurant owners into paying him 2,800 francs each. The Tourist Yearbook in which the addresses of their businesses were supposed to be included was never published. Instead, he got his first magazine, the monthly L'AUTO-JOURNAL, started with the funds acquired. Such were the beginnings of the great publishing career of Robert Hersant, a French press tycoon, and since recently, also the greatest press baron in Poland.

In 1950, Hersant began to publish the monthly L'AUTO-JOURNAL. This was a great idea; this was the first journal of this type in France, and it immediately became a great cash producer, reaching a circulation of two million.

### Cars, Theft, and Insurance

This was more than enough to pay a large fine for "participation in robbery," for which a court convicted Hersant in 1954. It was proven that he was the one to contract a small-time thief to steal a Renault car from the plant. A sensational article featuring pictures of the car described the disarray at the plant from which a car of one's choice could be easily stolen. The affair broke out because the lazy thief, despite his orders, stole the car from a dealership rather than the plant.

Hersant mounted a large-scale campaign in L'AUTO-JOURNAL against companies insuring cars which operated in the market. At the same time, he set up the SNA [expansion unknown], a nationwide association of car owners, of which he became chairman. Subsequently, he engaged in advertising his own insurance company among the readers of the newspaper and members of the union.

### The Empire as of Today

Two out of every three readers of the press in France read at least one publication by Hersant. Hersant or members of his family own 35 percent of the French press sold nationwide and 18 percent of the regional press.

As is known, the press mainly lives off advertisements. The following fact reveals the might of Hersant most clearly: In 1990, the coffers of his concern took in 40 percent of the proceeds of the French press from advertisements.

The empire consists of three Paris dailies with large-circulation weekly magazines, 18 regional dailies which have numerous editions, 10 regional weeklies, and 12 miscellaneous weeklies and biweeklies, which frequently have high circulation: for motorists, hunters, yachtsmen, garden owners, and so on. And Hersant, in this case the son Filip, has a monopoly on dailies in the French Antilles and Guyana.

We should add to this two printing plants in Paris and nine in the provinces, one national information agency, three enterprises collecting advertisements for the Hersant press, and, on top of this, 10 percent of the shares of the fifth channel of French TV and shares of the chain of radio stations of Radio Fun.

The well-known Paris newspaper LE FIGARO is the jewel of the empire; it has an extensive advertising tradition and publishes two Saturday magazines in color: FIGARO MADAME and FIGARO MAGAZINE. The circulation of the latter exceeds 700,000.

We were not able to count all titles of the regional press, of which Hersant is merely a minority owner. He does not manage these newspapers. However, as a co-owner, he has enough influence to ensure that they do not compete with publications that he owns in their entirety. Sales areas and the division of the advertising market are agreed upon. By now, close to one-half of the French territory has press markets "regulated" in this manner by the Hersant empire.

In addition, there are foreign investments: three Belgian local dailies, 42 percent of the shares of the well-known LE SOIR in Brussels, a share of a Spanish press group, and the latest acquisitions in East European countries.

In Hungary, Hersant purchased the weekly MAGYAR NEMZET, and in Yugoslavia the newly founded weekly VREMI; in Czechoslovakia, he tried to buy a publishing house putting out two popular dailies. He did not succeed, so he is trying to purchase the publications of this publishing house one by one—he already has a share in the newspaper of the Socialist Party, SVOBODNE SLOVO, and is negotiating to purchase MLADA FRONTA DNES, a daily with the highest circulation in Czechoslovakia.

#### **In a Partnership With New Authorities**

Robert Hersant is the largest tycoon in the Polish press market, given his interests in RZECZPOSPOLITA and morning and afternoon newspapers in both Gdansk and Lodz (DZIENNIK BALTYCKI, WIECZOR WYBRZEZA, DZIENNIK LODZKI, EXPRESS ILUSTROWANY), in the Krakow TEMPO, and in the leased Upper Silesian DZIENNIK ZACHODNI.

His interests are significant: 51 percent in DZIENNIK BALTYCKI (this cost him 12 billion zlotys), 49 percent in RZECZPOSPOLITA, 49 percent in the Krakow TEMPO (0.5 billion zlotys), 48 percent in EXPRESS ILUSTROWANY (13 billion zlotys), 46 percent in DZIENNIK LODZKI (25 billion zlotys), 39 percent in WIECZOR WYBRZEZA (5 billion zlotys), and 25 percent in DZIENNIK ZACHODNI.

Hersant beat out the competition on price. For example, the RSW [Workers' Cooperative Publishing House] Liquidation Commission set the price for DZIENNIK LODZKI at 8 billion zlotys, whereas the French tycoon paid 25 billion. He paid 10 billion on top of the 3 billion at which the Lodz EXPRESS was appraised. His exceptionally lucrative offer of 36 billion zlotys for the Krakow DZIENNIK POLSKI (the asking price being 5 billion) did not help him any because he did not succeed in gaining the support of the staff. In other cases, the staff or circles associated with Solidarity supported Hersant, which gave him a great advantage.

Hersant knew how to gain the favor of Solidarity in the Gdansk Region (it is difficult indeed to overcome the proverbial mistrust of its chief Bogdan Borusewicz). The Przekaz Company, which represents the Regional Board, is his partner in Gdansk newspapers (49 percent of the shares in DZIENNIK BALTYCKI and 39 percent in WIECZOR WYBRZEZA). In DZIENNIK LODZKI, Hersant shares power with the city authorities—the Lodz gmina holds a 25-percent share, and in EXPRESS WIECZORNY, he shares power with a cooperative of journalists (a 20-percent share).

In reality, the influence of Hersant is still greater. Some of the partners in the newspapers he bought borrowed from him in order to enter into a partnership....

Hersant not only has 49 percent of RZECZPOSPOLITA, but he will also print it. In the immediate future, he is expected to build an offset printing plant which will produce, as Editor in Chief Dariusz Fikus stresses, the first daily in Poland with color capability.

Hersant offered the staff attractive financial terms. As one of the editors in chief told us, the consideration (probably not groundless) that financial dependence on a Western tycoon is a lesser evil than getting entangled in dependence on the local authorities also favored Hersant.

Jerzy Drygalski, chairman of the RSW Liquidating Commission at the time when the first negotiations with Hersant were held, said: "The press does not like any of the press sharks; it is equally critical of Murdoch and Maxwell, who were interested in the Polish press market. A delegation of the FIJ [expansion unknown], an international association of journalists, came to Poland specifically to caution the community of journalists against Maxwell. Finally, Murdoch and Maxwell withdrew, and Hersant remained. He was the most persistent, and he wanted to invest.

"Hersant argued that investing in printing plants and in distribution does not make sense for him if he has only one newspaper in a given area. If we want major investors to come to Poland we should give them an opportunity to develop."

Kazimierz Stryczkowski, the current chairman of the Liquidation Commission, said: "He was the only foreign partner to accept the retention of a large percentage of shares by the Polish side, and to declare that he is interested only in the economic aspect of the undertaking. The Antimonopoly Office looked into whether Hersant may buy two local newspapers in Lodz, and raised no objections."

Stryczkowski responded to the accusation that Hersant personally is highly objectionable, in view of his past under the [German] occupation, if nothing else: "He was 20 years old during the war. As far as we are concerned, we cooperate with the Socpresse concern, which has been in operation since 1953."

Dariusz Fikus stated: "In this matter, I am interested in business rather than opinions." He emphasized that the agreement with Hersant specified clearly that he would have no influence at all over the substantive outlook of the newspaper and the selection of managers.

The fact that Prime Minister Bielecki met with Hersant during a visit to France by Lech Walesa testifies to how significant the Polish side considers contacts with Hersant to be.

#### **A Left-Wing Deputy, a Right-Wing Deputy**

Hersant has been a deputy of parliament for many terms now, changing nothing but his political orientation from time to time. He also became a member of the European Parliament.

When he ran in elections for the first time in 1956 on behalf of the radical left wing of the socialists, he dazzled the residents of his district, Oise, with the first election campaign in France to be run in a truly American style.

He began by etching his name in the minds of the readers: [Responses to] contests with prizes published in his periodicals were to be sent to his private address. There were fireworks, balls, and vacations in tents for workers.

However, at the first meeting of the parliament, they reminded him of his past.

As it were, at 20, Hersant became a cofounder of the Youth Front, "the anti-Masonic and anti-Jewish movement." The year was 1940. Several months later, the Germans entered France, and Hersant moved to Paris, where the Nazis gave him previously Jewish-owned premises on the Champs Elysees. There he edited the magazine *LE PILORI*, "a monthly publication combating Jewish Masons." The French police received reports that Hersant appropriated money from the cash

registers of Jewish merchants. Later he explained that he entered the shops only to slap Jewish saleswomen in the face several times.

He got an impressive subsidy from the collaborating government of General Petain in order to publish a new magazine, *LES JEUNES FORCES* [YOUNG FORCES]. In 1943, he was imprisoned for a short time for food voucher fraud.

After the war, he was arrested and sentenced for collaboration with the Germans to 10 years of national dishonor, which entailed a partial deprivation of civil and public rights.

Under French law, a deputy elect should be confirmed by other members of parliament. They did not confirm Hersant's candidacy after hearing of his biography. However, in keeping with the electoral law, they had to admit Hersant to their ranks after he once again gained the support of the Oise residents in repeat elections.

In 1958, after de Gaulle came to power, he left the socialists and became a right-wing deputy. In 1968, he once again switched to the socialists, returning a year later to the Gaullists: After the student spring of 1968, it was worthwhile to bet on the votes of a terrified conservative France.

Hersant is known for never taking the floor in parliament. He is very seldom present at parliamentary sessions.

As it is, he does not have to be: In 1988, there were 15 current-term deputies in his publishing empire.

#### **Hersant and the Polish Issue**

For many years, the daily *LE FIGARO*, Hersant's flagship, employed Bernard Margueritte (the very same Margueritte who now appears on Polish television in his own new show). His reports during the state of war were a sensation against the background of articles published in reputable Western dailies. After all, he accepted the point of view of General Jaruzelski and stuck to it.

"The time of Solidarity has come to an end once and for all, and the authorities are trying to convince society, by facing the latter with *fait accompli* to the effect that they are creating an open socialism that can be reformed" (2-3 October 1982).

Following the 13 May 1982 demonstrations in Warsaw (half a year after the imposition of the state of war), he concluded that small crowds were "an unequivocal defeat of the extremists," that "the people do not want an opportunity for negotiations and national accord to be wasted," and hence "Solidarity leaflets warned against demonstrations organized by the fanatic functionaries of the KOR [Workers Defense Committee] and KPN [Confederation for an Independent Poland]" (14 May 1982).

This was neither the first nor the last occasion on which Margueritte described Solidarity on the basis of UB [Security Administration] falsifications. This must have been the source of information on Bujak in hiding who, from all accounts, supported the Warsaw committee of Solidarity favoring "a purely workers' and trade-union Solidarity that rejects the KOR and the KPN" (15 April 1982).

Margueritte presented an interesting version of modern Polish history while commenting on the trial of the so-called four—Jacek Kuron, Adam Michnik, Zbigniew Romaszewski, and Henryk Wujec—in 1984: "The control of the Trotskyites over the KOR, and subsequently the control of the KOR over Solidarity, contributed to bringing about the Polish drama [13 December]."

"LE FIGARO was one of the last newspapers in the West to keep printing paens in Ceausescu's honor to the end"—this is how Pal Bador substantiated his decision to leave MAGYAR NEMZET, the Hungarian weekly purchased by Hersant. Bador, a well-known journalist and writer who had been associated with the weekly from the beginning, was not the only one to leave. The staff of journalists protested against the buyout by Hersant, fearing the loss of independence. The issue reached the courts, which determined that the journalists had no grounds to call the transaction into question.

#### The Secret of Success

Independent experts were given access to the financial record of the Hersant empire for the first time as late as 1991, at the request of an enterprise committee (representatives of trade unions are also members).

In 1990, the turnover of the Hersant group amounted to more than 8 billion francs (about \$1.6 billion); profits of 300 million (about \$60 million) were generated in that year. This was the first positive balance in three years.

However, even the experts do not know everything. The exceptionally complex legal and economic structure of the enterprise obscures actual results, like a Russian nested doll: Companies own still other companies. A stream of money circulating among individual entities within the concern frequently makes it impossible to determine which entities are profitable and which operate at a loss.

Every so often, the press reports on the financial difficulties of "the devourer of newspapers" ("*papivore*"—this is how Hersant is commonly called). Debt-ridden as it may be, the concern keeps developing, acquiring new publications and building printing plants.

An attempt to enter television became the only significant defeat of Hersant. Fascinated by the small screen, in 1987, Hersant purchased 25 percent of the stock in the newly created *La Cinque*, the fifth channel of French TV. Three years later, he had to withdraw and sell 15 percent of the stock—he was not in a position to finance outlays on program development.

Laurent Joffrin, a journalist from LIBERATION, the newspaper which dislikes Hersant very much, admits that Hersant was the first one in France to use industrial management methods in the press.

First of all, rotary presses should be in operation all the time. Only a large-circulation daily or several dailies published in adjacent regions may ensure that a printing plant is run at capacity. It is best to publish a daily, an afternoon newspaper, as well as several weeklies. Hersant buys out dailies that have financial difficulties, frequently for peanuts.

However, once he has gained a foothold in a market, he is prepared to pay very much in order to dominate this market.

He buys out competing newspapers through individuals fronting for him and bribes heirs and partners of long duration. Yet another war breaks out in France once every few years between Hersant and the journalists of some provincial newspapers who suddenly learn with surprise that they have become his employees.

If he does not succeed in buying out the competitors, he destroys them, resorting to his financial might—through excessively low prices of newspapers and daily raffles with huge prizes.

Examples from France are not necessary. It will suffice to look at the Polish investments of Hersant. He entered local markets when he had an opportunity to buy at least two newspapers, preferably a morning and an evening daily newspaper. He succeeded in doing so in Lodz and Gdansk. In Krakow, he bought the sport daily TEMPO; therefore, he had to have yet another newspaper in order for the construction of a printing plant to make sense for him. In bidding for DZIENNIK POLSKI in Krakow, he exceeded the asking price set by the Liquidating Commission by a factor of seven. It did not work. He tried to buy the two largest dailies of Silesia. They say that he planned to build a new printing plant in Olkusz, half way between Krakow and Katowice.

Hersant is not afraid of debts and bankers. The concern lives to develop; it must devour still more publications, and it does so with borrowed funds. Hersant knows that banks must help debtors to whom they have loaned a lot so as not to lose everything.

Hersant is not afraid to make decisions which are fraught with legal challenges. This is what good attorneys are for. Anyway, his coworkers, rather than Hersant, end up in the dock. The deputy is protected by his immunity.

However, Hersant understands the advertising market. He offers each client a tremendous range of proposals: advertisements in the refined LE FIGARO published in Paris or in its color magazine read by affluent housewives, in dozens of provincial newspapers, or in a special-interest monthly. Finally, he also has up his sleeve a radio network and a TV channel in which he still has an interest. Hersant anticipated that it would make

sense to throw in free of charge a weekly magazine with color, and therefore expensive, advertisements for the readers of LE FIGARO.

Advertisements, the main source of income for the press, are Hersant's specialty. Actually, he is interested solely in advertisements in the press.

This is what the journalists dislike him for most of all.

#### Protests by Journalists

When asked by a journalist from NOUVEL OBSERVATEUR why the standard of his newspaper FRANCE-ANTILLES is so low, Hersant reportedly said: "This is an absolutely idiotic newspaper. However, when I improved the standard of its weekend edition, its sales dropped by a factor of three. Newspapers are not created based on good intentions."

It is clear to journalists in provincial newspapers that the buyout of their publications by Hersant signifies the beginning of a wave of layoffs, deterioration of the standards of publications, and giving up the newspaper's own materials in favor of reprinting reports from the Hersant central information agency, and essays from LE FIGARO. The employees of FRANCE-ANTILLES, PARIS-NORMANDIE, and FRANCE-SOIR have gone on strikes against the new owner.

Following an eight-day strike by the staff of PARIS-NORMANDIE in 1972, the journalists secured an agreement which granted the editorial staff independence and the right to contribute to decisions on the future of the daily. Two of the journalists described how Hersant kept his promises in a "black book" entitled "Two Years of Hersant's Rule." The press tycoon took them to court for defamation and the theft of accounting documents. At this point, 77 journalists petitioned the court to also be charged as coauthors of the text. The court acquitted the journalists of the charges.

After Hersant took over LE FIGARO in 1975, 56 journalists quit, and he succeeded in firing another 63. The newspaper with a liberal bent changed into a publication promoting Chirac's election campaign. When the right wing lost, Hersant let the main commentators supporting the campaign go overnight in an attempt to restore the reputation of an independent publication.

An 11-day strike by journalists in FRANCE-SOIR in 1976 ended in the promise that anybody who wanted to leave the newspaper had a right to *clause de conscience*—six months severance pay which in France is due to journalists who prove that the new line of the publication runs counter to their conscience. Shortly thereafter, 50 journalists left the newspaper.

#### Why We Are Afraid of Hersant

Like many other sectors, the press needs foreign capital. Almost all printing plants are old and worn-out. Publications need funds to become computerized. We do not know how to manage the press; we are learning about the

advertisement market; we need good editorial models and modern press graphics. Something in the nature of know-how also exists in the press. Foreign capital may provide such know-how together with investment.

Therefore, why are we afraid of Hersant, why would we be afraid of other big press tycoons—Murdoch, Maxwell, and Springer—if they entered the Polish press market in an equally resolute manner?

We are afraid because the press is not only an industry, but also culture and politics. A quite brutal version of the rules of industrial management applied to culture destroys and levels it.

Communism centralized all decisionmaking and destroyed local political and cultural life. It also destroyed the tradition of the local press. Day after day, we found the same lead articles at the top of both the local newspapers and TRYBUNA LUDU, and we found the same PAP [Polish Press Agency] reports on the inside pages as in TRYBUNA LUDU. Actually, the model of the Hersant press is identical because this is the cheapest way. He has reduced the number of journalists in the newspapers he has taken over, restricting the gathering of information to a minimum.

The local press is an indispensable prerequisite for rebuilding local communities. They must have their own newspapers in order to be able to discuss their affairs. With the arrival of Hersant, we will certainly have nicer, colorful, thicker, and perhaps also cheaper newspapers. However, at the same time, these may be newspapers resembling the Communist press we know. The ideological tone is not the issue—Hersant is capable of being pragmatic in this matter—but rather what the newspaper is to write about.

Hersant has sufficient capital to utterly dominate the market he has entered. No antimonopoly law or opposition by the government will help in this matter. Socialists in France tried to do this in 1983 and suffered a defeat. Freedom of the press is a delicate matter, and it is very difficult to design antimonopoly legislation without simultaneously restricting this freedom.

In Lodz (where the Antimonopoly Office resolved that owning two dailies does not mean monopolizing the market), indications are that the third local daily, GLOS PORANNY, will fall even before the contest begins. The German publishing house Heinrich Bauer Verlag, which has bought 48 percent of the stock, is trying to withdraw its offer using discord among journalists as a pretext. The Liquidation Commission will certainly organize yet another auction. However, who will now buy a daily if this means being up against a press tycoon who has managed to eliminate the competition in virtually all local markets in France where he has a presence?

We are afraid that several years from now, the residents of Lodz or Gdansk will only have a choice between different Robert Hersant publications when they buy a

newspaper in the morning. Worse yet, they will find little else in these newspapers other than cinema programs and advertisements.

### Opinion Poll Shows Youth Apathy, Resignation

91EP0637A Warsaw RZECZPOSPOLITA in Polish  
2 Jul 91 p 3

[Article by Renata Wrobel: "The Frustrations of Youth"]

[Text] Attitudes of social frustration are not uncommon among our young people. This was demonstrated by the results of a CBOS [Public Opinion Research Center] poll conducted in the second half of April among students in their last year of secondary school and basic vocational school.

Somewhat more than one-half of those polled were of the opinion that the present situation in Poland is evoking among young people a sense of discouragement and resignation, while fewer than one-fourth observed among their contemporaries energy and a desire to act. The results are less positive than last year's results, when 43 percent of those polled noted apathetic attitudes.

### National Issues

Nearly one-half of young people were unable to assess how the situation is developing in Poland. This differentiates young people from the whole of society most significantly.

Let us keep in mind that these are April results and that later studies have shown that society's attitudes have considerably worsened since that time.

In the opinion of the students polled, the threat of unemployment is the chief problem in our country today. This was indicated by 37 percent of the respondents in spontaneous statements. (Over one-half did not recognize unemployment to be an essential condition for economic change, but the number of persons who held the opposite opinion—38 percent—was also significant.) In second place was the improvement of the economic situation (20 percent), and in third place, the repayment of our foreign debt (14 percent).

For the most part, the young people participating in the April poll were confident about the actions of the government. However, they were more critical than society as a whole during the same period with regard to Balcerowicz's program.

In the opinion of young people, current economic changes are above all fostering improved procurement on the market: the elimination of goods shortages (80 percent of the respondents agreed with this statement) and an increase in the number and variety of goods (76 percent). The students also noted the negative effects of the changes in that they foster the clever and not the diligent (69 percent), and they make the majority poor while only a few are getting rich (60 percent). The ability

of the changes to motivate were observed significantly less often than a year ago. Less than 60 percent (previously 75 percent) leaned toward the opinion that the new conditions are forcing people to work more intensively and better.

Only 5 percent of those polled were opposed to conducting privatization, 31 percent were in favor of limiting it to some enterprises or to half of all enterprises, while half accepted the privatization of the majority or all enterprises.

Statements emphasizing the superiority of private ownership over state ownership met with general approval. Respondents generally agreed that only a private owner is in a position to motivate people to do proper work, that without private ownership of enterprises a market economy is not possible, that earnings in private enterprises will always be better than earnings in state enterprises, and that privatization guarantees that the store shelves will be filled permanently. Less than half of those polled believe that privatization can be avoided and that only the directors need to be changed.

The graduates were also queried regarding their attitude to abortion rights. The result was that by comparison with the whole of society, young people are more liberal on this question.

### Personal Issues

For 32 percent of the participants in the poll the most important personal issue was to obtain an education, for 26 percent it was to overcome difficulties associated with finding work, and for 16 percent it ways to find a satisfactory and well-paying job. Economic issues and standard-of-living issues were stressed less than they once were (last year the major problem was a lack of money and low wages) and one's own social and professional future were stressed more than in the past. The fear of being unemployed was expressed in varying degrees by 72 percent of students completing secondary school, while 26 percent were optimistic about the possibility of finding work.

After finishing school the majority of young people (56 percent) planned to continue their education. This is a larger percentage than in previous years (higher education in particular has become more attractive to young people). Nineteen percent of those polled planned to take a paying job, and 7 percent planned to travel abroad. Nine percent of the graduates expected to remain unemployed.

In thinking about their lives 10 to 15 years from now, over one-fourth of those polled believed that they would be working in private firms; somewhat fewer thought they would be working in state enterprises; 13 percent expected to establish their own firm; 8 percent saw themselves in Polonia firms, and 7 percent expected to be abroad.

What will be their material status? Of this year's graduates, 37 percent hoped to make enough to have their own home or villa, and 23 percent hoped for an apartment. Nearly half expected to own a car. Eight percent of those polled were convinced that they would not manage to have anything.

In the opinion of young people, the most helpful qualities for achieving planned goals are knowledge and professionalism (90 percent of answers), diligence (88 percent), adeptly meeting life's challenges and intelligence (87 percent each), and the ability to coexist with other people (84 percent). Social activism, state aid, political views, and belonging to Solidarity were rarely considered to be beneficial. Compared with last year there is a notable increase in the importance ascribed to intelligence and skill.

Thirty-one percent of the students polled believed that it is now possible for young people to realize their life's goals and aspirations, while 66 percent doubted that this is possible (16 percent of these have very little faith in this possibility). However, 56 percent of those polled expect such opportunities to increase over the course of the next five years.

#### Politics and the Authorities

Nearly 80 percent of this year's graduates do not feel close ties with any political or social organization. The remainder most often express an association with various sports clubs and unions as well as affection for the Polish Party of the Friends of Beer.

Of people alive today, young people most admire John Paul II (24 percent), their parents and friends (9 percent), and Lech Walesa (6 percent). Nearly 30 percent of those polled gave no one in response to this question.

#### Foreign Investment Agency's Activities Summarized

91EP0626C Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Jul 91 p II

[Article by P.J.: "Joint Ventures Polish-Style"]

[Text] The Agency for Foreign Investment Affairs has already been in operation for two years. By 20 June 1991, it had issued 4,350 licenses for the establishment of companies in which foreign capital has a share. The reported joint investment of foreign capital is \$580 million, for an average of approximately \$133,000 per company. However, not all companies began operation immediately. By the end of May, slightly more than half (2,310) had obtained a REGON [expansion unknown]. On the other hand, by the end of April only 1,193 had signed their notarial agreement. The number of licenses granted is systematically growing. In 1989, 864 licenses were issued, while 1,935 were issued in 1990, and 1,551 have been issued thus far in 1991 (by 20 June).

The largest number of licenses were issued for the operation of companies in which German capital shares (1,330 companies). The declared amount of German capital is \$155 million. The next largest number of licenses were issued to companies in which American capital shares (357 companies and \$47 million), Swedish companies (339 companies and \$38 million), Austrian companies (295 companies and \$31 million), and Dutch companies (274 companies and \$38 million). Most of the companies (39 percent) declared a minimum of foreign participation (\$50,000). However, the share of such companies in the total number of joint ventures is growing. In 1989, this number was 34 percent, while last year it was 42 percent. The decline in the volume of foreign shares is related to restrictions regarding the possibility of withdrawing these shares.

Among the largest foreign firms to have set up their companies in Poland are the following: Johnson and Johnson, Coca-Cola, Philip Morris, Marriott, Hewlett Packard, Levi Strauss, ICI, ICL, Krupp, Siemens, Adidas, Esso (Exxon), Alcatel, Pullman, Socpresse (Hersant), Minolta, Mitsubishi, Toyota, Ikea, Alfa-Laval, and Hyundai.

#### Construction Industry Privatization Efforts

91EP0626A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Jul 91 p I

[Article by Malgorzata Szyszlo: "Privatization in Construction: A Faster and Faster Tempo"]

[Text] The Ministry of Land Use Management and Construction is the parent organ for 258 enterprises. The process of structural-ownership transformation that began last year is progressing at a faster and faster tempo. According to data from the beginning of July, these changes affect a total of 114 enterprises.

The largest number of enterprises (54) have been privatized by being put into service-for-pay by a new company in which the employees of the liquidated enterprise participate. This process has already been completed in four plants. These plants are: the Bydgoszcz Projprzem Construction Design-Research Bureau, the Szczecin Industrial Construction Enterprise, the Warsaw Elektromontaz-Export, and Metalplast-Buk. The assets of the latter enterprise have been transferred as an initial share in a company in which Danish capital participates.

The next largest number of enterprises have been privatized through transformation into single-person companies of the State Treasury. This route has been chosen by 29 construction firms. Seven of these are already stock companies (the most well known of them is the Exbud S.A. [Corporation]). The firms that are being privatized in this way are large, specialized enterprises in good financial condition that are operating on the domestic market and abroad.

Firms in poor financial condition are found at the other pole. Fourteen such enterprises have been placed in a

state of liquidation. However, this process is not progressing very smoothly. Bogdan Michalski, director of the Department of Structural and Privatization Changes at the Ministry, is paying attention primarily to problems with the sale of enterprise assets and the legal problems associated with the ownership of land and buildings. For this reason, in some cases the deadline for liquidation has been extended. Frequently, even the auctioning of fixed assets, which is organized each week, does not yield significant results.

The division into smaller firms has concluded in 23 enterprises, while in four enterprises it is still going on. This process constitutes the first step toward privatization. Several days ago, for example, the general management of Energopol in Warsaw was divided into seven autonomous enterprises, with headquarters in Lublin, Lowicz, Krakow, Lodz, Warsaw, and Zielona Gora.

"In accordance with recent decisions made by the government regarding the acceleration of privatization, we have prepared a list of 40 ministerial enterprises slated for commercialization," says Director B. Michalski. "Meanwhile, we have selected two firms—Transbud of Wroclaw and Transpol of Warsaw—for quick sale within the framework of so-called liquidation privatization. The first of these was included in a government list."

The work of The Boston Consulting Group Ltd., a British consulting firm which is acting at the request of the Ministry for Ownership Transformation, has engendered a great deal of hope. This firm has taken on the implementation of the entire privatization process for a selected group of over a dozen construction enterprises. At present, experts are familiarizing themselves with the documentation of the individual firms and are conducting "on-site visits."

#### Exploitation of Crude Oil Deposits Discussed

91EP0626B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 5 Jul 91 p 1

[Article by J.R.K.: "The Hope for Large Crude Oil Deposits"]

[Text] Are there rich deposits of crude oil in the Polish earth? On the worldwide scale, crude oil deposits are accompanied by gas deposits in an average ratio of 1:1. Poland is unusual in this regard for it has one crude oil deposit for every 30 gas deposits. "But perhaps we cannot manage to find this crude oil," said Minister Maciej Nowicki in his 4 July report at the headquarters of the environmental protection ministry. He relayed the results of a meeting in Oslo of creditor nations banded together in the Paris Club and of the establishment of a promotional seminar in London devoted to the matter of prospecting for crude oil and natural gas in Poland.

At present, less than 1 percent of the crude oil that we consume is mined in Poland. Our obsolete, heavy, and, for the most part, Soviet exploring and mining equipment does not make it possible for us to change this ratio

rapidly. Western firms that are ready to embark upon the exploration and mining of deposits give us hope for large deposits, both of crude oil and natural gas, of which we also mine too little.

As a result of talks conducted by the Ministry of Environmental Protection, Natural Resources, and Forestry, our country is awaiting a veritable invasion of miners from the world's major mining firms. In September, Western firms will be able to begin bidding on each of 32 exploitation lots separately. On 15 January 1992 the bidding will close and the minister will sign concessions for the firms that win the bids.

The mining of deposits explored by Western firms is projected to last 20 years. In addition to the benefits emanating from taking in taxes, the Polish side will receive from these firms the guarantee of the obligatory sale of crude oil and natural gas in first order on the domestic market.

#### Hortex Presents New Vegetable Export Line

91EP0637B Warsaw *ZYCIE WARSZAWY* in Polish 17 Jul 91 p 4

[Article by E.W.: "The Produce Trade: The Enterprising Hortex"]

[Text] "The financial condition of the enterprise is good." This sentence is taken from a brief report describing the activity of the Hortex foreign trade enterprise. It is a surprising self-assessment, for at the present time one hears everywhere about recession and the threat of bankruptcy for factories, firms, and entire branches of the economy. What makes it even more surprising is that Hortex trades in vegetables and fruit, and the situation in this branch of the economy is deplorable. Polish produce farming, which is predominantly private, has difficulty selling its production: It produces more than the domestic market can absorb, and currently problems exist with regard to the export of surpluses.

Once again we quote a sentence from the above-mentioned report: "The shift from accounting in rubles to free foreign exchange for all intents and purposes has eliminated our biggest customer in this branch—the USSR." The breakdown of export to the Soviet Union is a real disaster for entire produce farming regions that are geared toward, and specialize in, export to this country. This is the case, for example, with apple producers in the Grojec region and cauliflower producers around Blonie.

Thus we must seek other markets—in the West. But while this is being done, it requires overcoming restrictions and resistance. For years Poland has been struggling to remove or lower the barriers set before its export of steel, textile products, and food to the states of the European Economic Community.

These barriers assume various forms. One of these is the establishment of minimum prices at such a high level

that Polish fruits and vegetables cannot compete effectively with products supplied by Turkey or Spain.

Meanwhile, Hortex, our largest exporter of produce, is apparently in good shape financially. How is this possible?

First of all, Hortex is introducing new forms of activity and new items in export. It trades extensively with companies, private enterprises, and farmers who sell their own products, thus eliminating middlemen and reducing costs.

New items in Hortex export introduced last year are: casein, beans, lupine seeds, rape, buckwheat, linen, vetch, mustard, mushrooms in brine, snails, and potato products. These supplement the traditional deliveries of fruits and vegetables. Such export is especially valuable where harvests are poorer. It is estimated, for example, that this year, after the cold spring, yields of strawberries, currants, and raspberries, which are traditionally supplied to the FRG, Austria, Great Britain, the Scandinavian countries, Holland, the United States, and Canada, will be below the norm.

However, Hortex, which specializes in export, is also becoming more and more geared towards import, which already constitutes 40 percent of the enterprise turnovers. In large part this is procurement import, encompassing seeds, horticultural equipment, and the means of

plant protection. Moreover, Hortex is importing spices, pastry, coffee, cocoa, chocolate, citrus fruits, etc.

In response to the remark that Hortex is trading whatever is available, thereby departing somewhat from its specialty, the chief director of this enterprise, Ludwik Olejarz, replies succinctly: "We must make money in import to cover possible export losses."

Obviously, the multi-directionality of its activity is no mistake, for that is the approach of many firms throughout the world. Moreover, the efforts embarked upon by Hortex do not extend beyond the food branch.

Thus, Hortex is demonstrating a great deal of enterprise and flexibility, thrust upon it by the current situation and growing competition (at one time it had five domestic competitors and now it competes with hundreds of firms). This has made it possible for the firm to report good results. It would be even better if the privatization process of Hortex were not dragging on at a snail's pace (this is surprising in a branch in which private producers have clearly dominated for a long time). Hortex wants to become a holding company, the "mother of companies" of produce farmers and fruit growers. Hortex is also hopeful that a new law will be passed on cooperatives, which will make it possible for members of cooperatives to join together, to put it their way, "in a capital mode, and not an administrative one."

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